2003 Annual Report and 2004 – 2006 Service Plan

Solid

Forward-Thinking

Value Adding

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WorkSafe

WORKERS' COMPENSATION BOARD OF BC

www.WorkSafebc.com

Strategic Foundations of the WCB

Our mandate

The origin and fundamental value of workers' compensation rests on the principle of mutual protection arising from the historic compromise in which workers relinquished their right to sue their employer and employers agreed to fund a no-fault insurance system.

The British Columbia *Workers Compensation Act* enshrines the historic compromise and creates the Workers' Compensation Board (WCB). The WCB is an independent agency governed by a Board of Directors appointed by government. The mandate of the WCB, in concert with workers and employers, is to:

- Promote the prevention of workplace injury, illness, and disease
- Rehabilitate those who are injured and provide timely return to work
- Provide fair compensation to replace workers' loss of wages while recovering from injuries
- Ensure sound financial management for a viable workers' compensation system

Our vision

Workers and workplaces safe and secure from injury, illness, and disease.

Our mission

To add value for workers and employers by:

- Assisting them to create a culture of health and safety in the workplace
- Delivering quality decisions and advice
- Providing compassionate and supportive service
- Ensuring solid financial stewardship now and in the future

Our guiding principles and premises

We, the officers and agents of the B.C. Workers' Compensation Board, believe that:

- We must focus on our core mandates – prevention, rehabilitation, and compensation.
- Our principal focus is WorkSafe™ – the promotion of healthy and safe workplaces through enforcement, consultation, and education.
- The WCB is most effective when it is dedicated to the WorkSafe initiative, facilitating the co-operation of workers and employers in preventing workplace injuries, diseases, and fatalities.
- Societal and cultural change is essential for creating a culture of health and safety in the workplace and we play a principal role in effecting this change.
- When a worker is injured, our priority must be the rehabilitation and return to work of that worker.
- We must be driven by a service orientation that is attained through effective delivery of WCB programs and services. In doing so, we are dedicated to empowering our front-line staff through support and ongoing development and training opportunities.
- We must preserve the financial integrity and stability of the system.
- We must add value to the workers' compensation system and be an asset to our stakeholders and to the Province of British Columbia.
- We must remain sensitive to the strategic priorities and comply with the legislated directions of the British Columbia Government.

To fulfill its mandate, the WCB is enabled by:

- Transparent and accountable policies and regulations that define the type and amounts of compensation paid to injured workers, prescribe occupational health and safety standards, and determine how the system is funded and administered
- A full range of responsive programs that meet the individual prevention, compensation, assessment, and rehabilitation needs of stakeholders
- Professional, compassionate, and highly trained people working together to deliver quality service
- Effective and efficient processes that ensure quality and service excellence and eliminate bureaucracy
- Innovative and responsive services designed to meet the individual needs of stakeholders throughout the system

Who we serve

The WCB is an independent statutory agency that serves nearly two million workers and approximately 173,000 employers throughout B.C. It is funded by insurance premiums paid by registered employers and by investment returns. In administering the *Workers Compensation Act*, the WCB remains separate and distinct from government; however, it is accountable to the public through government in its role of protecting and maintaining the overall well-being of the workers' compensation system.

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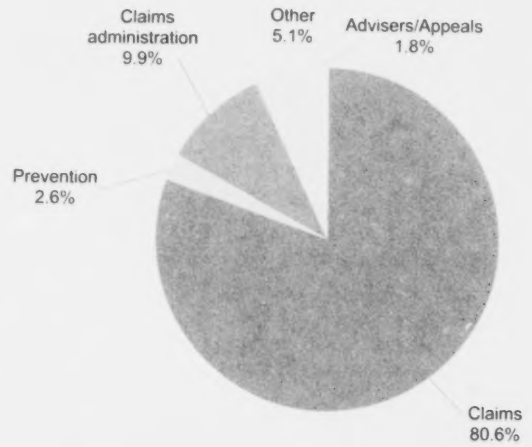
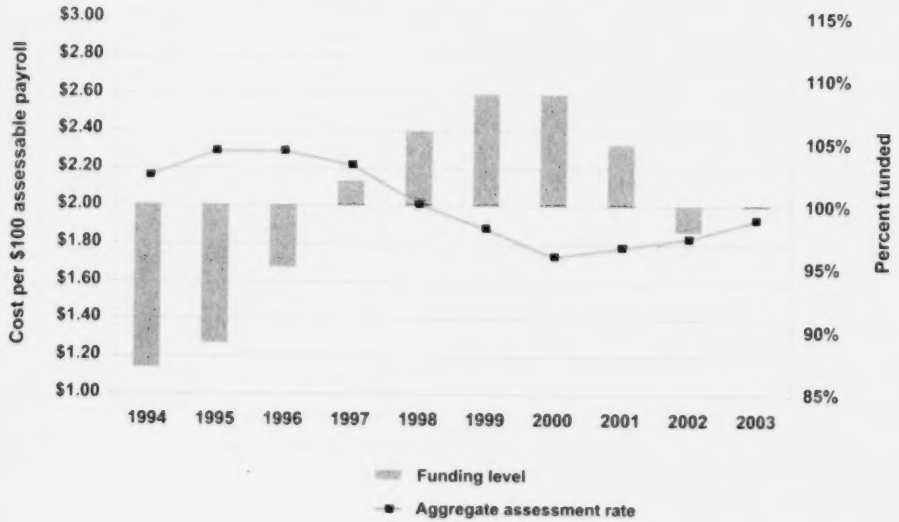
Operational Highlights

Injury rate

2003 allocation of expenses (excluding non-recurring items)



Stable assessment rate within sound financial fundamentals



Key financial comparatives

$ in millions	2003	2002
Premium income	1,077	1,019
Investment income	496	325
Claim costs	(1,364)	(1,624)
Operating and Prevention costs	(123)	(124)
Surplus (deficit) from operations	86	(404)
Gains (losses) from non-recurring items	69	(167)
Total operating surplus (deficit)	155	(571)
Total assets	8,480	8,079
Total liabilities	8,473	8,225
(Unfunded liability)	(252)	(407)
Investment return on portfolio	6.4%	-2.8%
Percent funded (ratio of assets to liabilities)	100%	98%

Message from the Chair

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One year ago, government appointed a new Board of Directors to take the Workers' Compensation Board of British Columbia into a new era. Specifically, the Board was asked to "review, restructure, and rebuild the WCB to make it more responsive to the needs of workers and employers." As Chair of the Board of Directors, I can tell you that much was accomplished in 2003, and the evolution of the WCB continues.

In 2003, we initiated a strategic planning process that included an ongoing review of the WCB's operating principles, fiduciary and stewardship responsibilities, organizational and business processes, and service and culture. This process will conclude in 2004 and result in a long-term strategy that will uphold the WCB as an organization that is solid, forward-thinking, and value-adding to the workers and employers of British Columbia.

Solid

The WCB is funded by employer premiums and investment returns and is accountable for managing these funds in the best interests of the workers' compensation system. In recent years, employers have experienced stability in their assessment rates. This is in sharp contrast to many other jurisdictions across North America where rates for workers' compensation and general insurance have increased dramatically. The WCB strives to maintain a funded status between 90 and 110 percent, and in 2003 we were fully funded. Financially, the WCB is on solid ground.

Forward-thinking

The WCB must identify and analyze issues that affect the workers' compensation system today and in the future. In 2003, the organization was asked to participate in a review of the unacceptably high rate of injuries and fatalities in B.C.'s forest sector. I was honoured to chair the Forest Safety Task Force which brought together leaders from all corners of the sector to examine the problem and develop recommendations for change. This is one example of how the WCB, government, labour, and employers can work together to effect change.

In looking to the future, we must consider the potential impact of occupational diseases that have not yet been recognized; demographic shifts that will result in a shortage of trained and experienced workers; and the 2010 Winter Olympics, which will result in a major construction boom – and possibly an increase in injuries among workers. The WCB has to plan operationally and financially for these and other issues that could greatly affect employers, workers, and the workers' compensation system.

Value-adding

The WCB adds value through partnerships and awareness campaigns designed to prevent workplace injuries and illness. This includes educating high-risk groups like young workers, raising awareness about workplace death on the annual Day of Mourning, and providing assistance to employers whose injury rates are higher than the industry average. The WCB is also partnering with safety associations to provide workers with industry-specific safety and health training. In the long run, these activities will reduce injuries and lower costs.

The Board of Directors wants the WCB to be seen as a valued asset by the 173,000 employers and two million workers of British Columbia. In 2003, we made it a priority to meet with employers, employer associations, injured workers, and labour organizations to better understand their needs and expectations. We also consulted extensively with WCB staff, who told us that change is needed and identified areas where we can better serve employers and workers. In 2004, we will move forward with a plan that will revitalize the WCB's service quality, business processes, and organizational structure, all of which will provide added value to our stakeholders and guide the organization in the coming years.

In closing

On behalf of the Board of Directors, I would like to thank Ralph McGinn, who retired recently as President of the Workers' Compensation Board. In his decade of service with the organization, Ralph's personal and professional commitment to occupational health and safety was an example for us all. Ralph initiated the process of change within the organization, and he leaves a proud legacy of service.

I also want to reaffirm my confidence in the Workers' Compensation Board and the staff and stakeholders who make the system work on a daily basis. Together, we will endeavour to become the most efficient and progressive workplace safety insurance system in North America.

Douglas Enns, FCA
Chair
Workers' Compensation Board of B.C.

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Governance

Composition of the Board of Directors

The composition of the Board as laid out in legislation ensures the public interest is given priority and that a balance of representation is provided from B.C.'s worker, employer, and health care/rehabilitation communities.

Douglas Enns, Chair	Public interest representative
Calvin Lee, Vice-Chair	Public interest representative
Terry Brown	Employer representative
Stephen Hunt	Worker representative
Roslyn Kunin	Public interest representative
Peter Morse	Actuary
Arlene Ward	Health care/rehabilitation professional

Duties of the Board of Directors

Section 82 of the *Workers Compensation Act* sets out the specific duties of the Board of Directors as follows:

The Board of Directors must

- Set and revise as necessary the policies of the Board of Directors, including policies respecting compensation, assessment, rehabilitation, and occupational health and safety
- Set and supervise the direction of the WCB
- Select the president and determine the president's functions
- Approve the operating and capital budgets of the WCB
- Establish policies and accounting systems to ensure adequate funding of the accident fund
- Approve major programs and expenditures of the WCB
- Approve the investment of funds of the WCB in accordance with the requirements imposed under the Act
- Plan for the future of the WCB
- Enact bylaws and pass resolutions for the conduct of the WCB's business and for the functions of the Board of Directors, including enacting bylaws respecting the manner in which the policies of the Board of Directors are to be published
- On or before March 31 of each year, provide the Minister with a service plan that addresses the three-year period starting on January 1 of that year, and does the following:
  - Sets out the WCB's priorities
  - Identifies specific objectives and performance measures for the WCB
  - Provides a fiscal forecast for the WCB, including a statement of all material assumptions and policy decisions underlying the forecast
  - Compares actual results of the previous year with the expected results identified in the previous year's service plan
  - Presents other information that the WCB considers appropriate

Activities of the Board of Directors

In 2003, the WCB Board of Directors initiated a strategic planning process that will result in a long-term strategic direction for the Workers' Compensation Board. As part of this process, the Board met regularly with worker and employer stakeholders and conducted consultation sessions with WCB staff. The Board also continued to support and foster a learning culture within the organization, with a focus on excellence in customer service. The Chair made presentations to numerous community organizations throughout the province and chaired the Forest Safety Task Force, at the request of the Minister of Skills Development and Labour. The Board of Directors also conducted a nationwide search to replace the retiring President of the Workers' Compensation Board. This process concluded with the appointment of David Anderson as President and Chief Executive Officer of the WCB.

The Board of Directors met 15 times in 2003.

Board of Directors' committees

The Board of Directors may establish committees and give direction to those committees. Current Board committees are as follows:

- Audit Committee – met 6 times in 2003
- Human Resources and Compensation Committee – met 5 times in 2003
- Priorities and Governance Committee – met 6 times in 2003
- Research Priorities Committee – met 2 times in 2003

Priorities of the Board of Directors

- Prevent injury and illness in the workplace
- Return workers to employability
- Serve employers, workers, and workers' dependants
- Develop partnerships in prevention and durable return to work
- Enhance decision making in prevention, compensation, and assessments
- Improve the cost-effectiveness of the services we deliver
- Maintain financial stability and sustainability
- Educate, engage, and communicate with our stakeholders

Standard of conduct

Section 84 of the *Workers Compensation Act* requires the Board of Directors to adhere to the following standard of conduct when exercising the powers and performing the function and duties of a member of the Board of Directors:

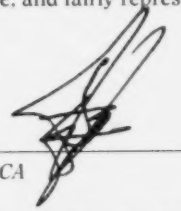
- Act honestly and in good faith
- Act with a view to the best interests and objectives of the workers' compensation system
- Exercise the care, diligence, and skill that a reasonably prudent individual would exercise in comparable circumstances
- Act in a financially responsible and accountable manner

In addition, directors are required to read, acknowledge, and agree to conduct themselves in accordance with a detailed *Code of Conduct and Conflict of Interest Guidelines* upon appointment as a director and each year as director thereafter.

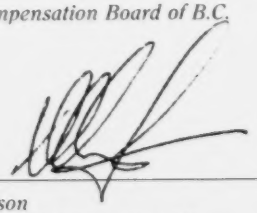
Accountability statement

The *2003 Annual Report and 2004 – 2006 Service Plan* was prepared under our direction in accordance with the *Workers Compensation Act*.[1] We are accountable for the basis on which the report has been prepared.

All material fiscal assumptions and policy decisions as of March 12, 2004, have been considered in preparing the report and service plan, and we are accountable for achieving the specific objectives at hand. We are confident the information presented in this report is accurate, reliable, and fairly represented.



Douglas Enns, FCA
Chair
Workers' Compensation Board of B.C.



David Anderson
President and Chief Executive Officer
Workers' Compensation Board of B.C.

[1] The Workers' Compensation Board has met Toronto Stock Exchange (TSX) Guidelines for effective corporate governance.

Message from the President

The Workers' Compensation Board of British Columbia is experiencing a period of transformation that has included significant changes to the *Workers Compensation Act*, a new governance model, and a review of the organization's core mandate and business processes. The modernization of the workers' compensation system began in 2002/2003 and has put us on a path that will enable the WCB to evolve into an increasingly dynamic, customer-focused organization that is valued by workers, employers, and all British Columbians.

Our successes

There were many successes in 2003. Through the combined efforts of workers, employers, employers' associations, unions, and the WCB, the injury rate in B.C. workplaces reached an all-time low of 3.0 short-term injuries per 100 person-years of employment – a 42 percent decrease since 1994. In 2003, that translated to roughly 36,000 fewer workers being injured, a cost savings in excess of $500 million, and 1.75 million days of increased productivity.

Additionally, employer premiums remained essentially flat in 2003 compared to the previous year, and base premium rates remained constant or declined for 55 percent of B.C.'s registered employers for 2004. The WCB ended 2003 with a 100 percent funded status – exceeding our goal of 95 percent and well within our target range of 90 to 110 percent.

The WCB also met its target for employer service in 2003. Employers surveyed gave WCB staff a rating of 7.9 out of 10 for overall service, which reflects the Board's renewed focus on internal education, training, and customer service.

And, while implementing new legislation presented challenges for the staff of the WCB, in 2003 we were largely successful in managing the transition with minimal inconvenience to the employers and injured workers of British Columbia.

Our challenges

While we had many successes in 2003, there was room for improvement. Although we surpassed our target of an average short-term disability (STD) duration of 46.9 days, we need to further improve our ability to assist injured workers back to work in a safe and timely manner. A one-day reduction in average short-term claim duration can reduce financial costs by approximately $5 million.

There is also room to improve the timeliness of processing initial short-term disability payments for injured workers.

In 2003, the challenges associated with the implementation of legislation, policy, and a new appeal structure had an impact on our ability to meet our client service goals. Injured workers surveyed gave the WCB a rating of 7.5 out of 10 for overall service, advising that staff availability and timeliness of response could be improved. We are currently realigning our business processes to enable us to provide better service to all of our stakeholder communities.

We also continue to face the challenges presented by serious injuries and fatalities in B.C. workplaces. While we have had significant success reducing the overall provincial injury rate, in partnership with workers and employers, the rate of serious injuries and the rate of fatalities have remained relatively constant over the past five years, and they continue to be the most costly in human and financial terms.

Our future

During this time of change, the Workers' Compensation Board remains focused on its primary objective – the creation of healthy and safe workplaces. This is our WorkSafe vision. We do this each day through enforcement of occupational health and safety law and regulation, and through proactive education and consultation.

In my new role as President and CEO, I am passionate about the need to bring added value to our worker and employer stakeholders. This will be accomplished through the commitment and hard work of our skilled and dedicated staff, through consultation with our partners – B.C.'s employers and workers – and through structural reorganization to deliver services more efficiently and cost-effectively.

In closing, I would like to thank my predecessor Ralph McGinn for his principled leadership during his five-year tenure as President, and the WCB staff for their continued commitment to making the WCB a world leader in workplace safety and insurance. While change and evolution are never easy, stakeholders and staff have told us that change is needed. I am confident that our staff will meet the challenges ahead and the WCB will increasingly be seen as the vital public service it is.

David Anderson
President and Chief Executive Officer
Workers' Compensation Board of B.C.

WCB Lines of Business

Under the *Workers Compensation Act*, the WCB is responsible for setting and enforcing occupational health and safety standards; compensating and rehabilitating injured, ill, or disabled workers or providing benefits to their dependants; and assessing and collecting premiums from employers to operate the workers' compensation system. In order to realize these responsibilities and achieve its strategic goals, the WCB's daily operations are centred around the following lines of business:

Enforcement, education, and consultation

The WCB's primary focus is on reducing the incidence of work-related injury and illness in B.C. To accomplish this, the WCB establishes standards and guidelines for occupational health and safety practices, educates and consults with employers and workers, and forms partnerships with industry safety associations, unions, and other key stakeholders to help improve health and safety in B.C. workplaces. The WCB also conducts inspections of worksites to ensure compliance with occupational health and safety legislation and regulation and conducts investigations when there are serious injuries, fatalities, or near-misses. The WCB may levy financial penalties or other sanctions against employers for safety infractions.

Compensation, rehabilitation, return to work, and pensions

The WCB makes entitlement decisions on compensation benefits for workers who suffer work-related injury or illness. The WCB is also responsible for administering payment of health care, time-loss, and permanent disability benefits. In addition, the WCB works with employers and external health care providers to rehabilitate injured workers and return them to employment in a safe and timely manner. In cases where workers are killed on the job or die due to work-related causes, the WCB provides pensions to surviving dependants.

Financial management of the workers' compensation system

The WCB assesses and collects employer premiums and invests those funds to cover the current and future costs of compensation benefits and the costs of administering the workers' compensation system. The WCB is committed to the principles of sound financial management and has programs and strategies in place to minimize costs, maximize investment returns, and maintain the long-term financial sustainability of the system.

Reviews of WCB decisions

Each year, the WCB makes millions of decisions on compensation, assessment, and prevention-related matters. To maintain accountability and provide quality control, an internal review function was established in 2003 that provides impartial reviews of appealed decisions made under the *Workers Compensation Act*. During the review process, the WCB may overturn its initial decision if it is found to be incorrect, or if new evidence comes to light after the initial decision was made. The internal review function is a key component of the WCB's strategy for developing and maintaining consistent, predictable, and quality decision making.

Supporting activities

Although they are not formally aligned under one of the WCB's major lines of business, the WCB conducts a variety of other activities in support of its strategic goals, including funding research to generate new knowledge on occupational health and safety and workers' compensation issues; conducting investigations to limit the WCB's exposure to loss; developing easy-to-use, online services for workers, employers, and health care providers; and reviewing and developing new policies and regulations to improve the overall functionality of the workers' compensation system.

Internally, the WCB supports organizational goals through professional development and training opportunities for staff, strategic recruitment strategies, an emphasis on improved customer service, and continued investment in information systems and other capital resources for increased productivity and improved business capacity.

Working with external partners

Co-operation and collaboration with external partners is an essential part of the WCB's business. Fundamentally, this involves consulting and engaging with workers and employers to address their unique needs, raising awareness of workplace health and safety issues, and instilling a sense of shared ownership and responsibility for occupational health and safety in B.C. In support of these goals, the WCB works closely with unions, industry associations, labour groups, government, and other key stakeholders to develop and deliver health and safety initiatives, conduct special research studies and pilot projects, and find

innovative new ways to lower the incidence of injuries, illnesses, and fatalities in B.C. workplaces.

The WCB also works closely with a network of external health care providers to help rehabilitate injured workers and return them to safe and durable employment. WCB employees collaborate with attending physicians and other health care providers located throughout B.C. (including physiotherapists, chiropractors, dentists, and many others) to assist with the treatment, planning, coordination, and monitoring of return-to-work plans. By collaborating with external medical experts, injured workers are able to remain in their own communities and with their families while they receive quality treatment and guidance in their return-to-work efforts.

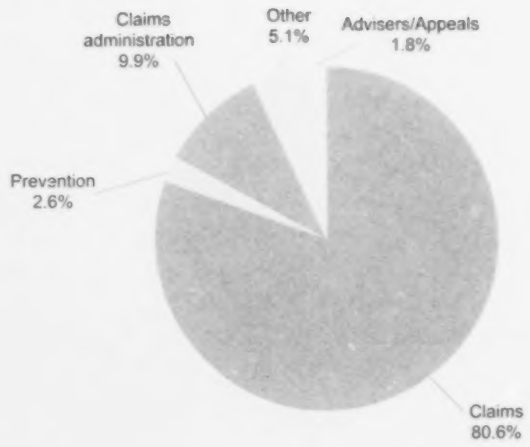
The WCB has the statutory authority to direct, control, and supervise the provision of health care to injured workers (section 56(2) of the *Workers Compensation Act*). The WCB exercises this authority by setting standards, developing treatment guidelines, and providing educational support to health care providers. The *Canada Health Act* specifically exempts provincial workers' compensation systems from its provisions, allowing the WCB to expedite access to diagnostic and treatment facilities, both public and private. Through quality assurance reviews and direct contact with providers, the WCB ensures injured workers receive the treatment and rehabilitation needed for recovery and return-to-work.

Allocation of expenses

Because the WCB's major lines of business are woven between several departments and divisions, with shared programs, initiatives, and responsibilities, it is difficult to fully segment expenditures by specific line of business. However, when costs are broken down by general area, about 80.6 percent of all funds expended by the WCB in 2003 were claim costs (for things such as short- and long-term disability benefits, time-loss benefits, and health care benefits). The remaining 19.4 percent of expended funds covered the costs of administering the workers' compensation system and delivering programs and strategies in support of the organization's objectives. Specifically, this included:

- Claims administration expenses, such as the cost of adjudicating claims, making payments, and developing return-to-work plans for injured workers
- Prevention expenses, such as education, consultation, and enforcement activities
- Funding the appeal system, including the Workers' Compensation Appeal Tribunal, and the former Appeal Division and Review Board
- Funding of Workers' Adviser and Employers' Adviser services provided through the Ministry of Skills Development and Labour
- Other infrastructure expenses such as fraud detection and investigative services, policy development and regulation review, governance, corporate services, information services, research activities, power, light, leases, building improvements, and property taxes

2003 allocation of expenditures (excluding non-recurring items)



Costs ($ thousands)

- Claims – $1,198,428 (excludes non-recurring items related to Bill 37)
- Prevention – $38,452
- Claims administration – $147,033 (excludes administration costs relating to the Appeal system/Advisers)
- Appeal system/Advisers – $26,090
- Other – $76,819 (excludes non-recurring costs related to legislation implementation)

Report of the Auditor General of British Columbia

Auditor General
of British Columbia

March 12, 2004

Douglas Enns, FCA
Chair, Workers' Compensation Board of British Columbia
6951 Westminster Highway
Richmond, British Columbia
V7C 1C6

Dear Mr. Enns,

During the year the Workers' Compensation Board agreed to participate in a pilot assurance engagement for its 2003 annual report. We appreciate the WCB's willingness to engage in the leading edge practice of having its annual report audited by an independent third party. I believe our audit report adds significant credibility to this annual report.

My audit opinion represents the first of three phases in introducing independent assurance. Our focus was on the extent to which the BC Reporting Principles have been incorporated. The Workers' Compensation Board has also asked my office to expand the scope of our work in future years to include assurance on the accuracy and relevance of the performance information contained in its annual report.

When compared to our assessments of annual reports of ministries and major Crown corporations contained in our Building Better Reports series, the Workers' Compensation Board's annual report represents a standard of excellence I believe all public sector organizations can aspire to.

I congratulate the Workers' Compensation Board for setting a new benchmark in public performance reporting in British Columbia.

Yours truly,

Wayne Strelioff

Wayne Strelioff, FCA
Auditor General

Report of the Auditor General of British Columbia

To the Lieutenant-Governor in Council, To the Minister of Skills Development and Labour, Province of British Columbia, and To the Members of the Legislative Assembly of British Columbia

I have been engaged to report on the Workers' Compensation Board's (the WCB's) stage of development in incorporating the BC Reporting Principles in its Annual Report for the year ended December 31, 2003. The eight BC Reporting Principles outline the characteristics of good performance reporting, and have been endorsed by the Legislative Assembly's Public Accounts Committee for use by public sector organizations in British Columbia. The BC Principles are highly consistent with those published by CCAF, a national, non-profit research and education foundation. The principles are detailed in the body of this report.

The conclusion in my report is based on procedures that I determined to be necessary for the collection of sufficient, appropriate evidence in order to obtain a high, though not absolute, level of assurance as to the WCB's stage of development in incorporating the BC Reporting Principles. Readers are cautioned that I did not specifically test the accuracy of the data contained in the WCB's annual report, and consequently I do not offer assurance on the accuracy of the information reported. My examination was not designed to provide assurance on the appropriateness of the goals, objectives and targets established by the WCB. Neither was it designed to provide assurance with respect to representations made by the WCB whether the level of performance attained is satisfactory.

I conducted my examination in accordance with Canadian standards for assurance engagements and accordingly included such tests and procedures as I considered necessary in the circumstances.

Overall Conclusion

In my opinion, the WCB's stage of development in incorporating the BC Reporting Principles for the year ended December 31, 2003, is reflected in this table and the discussion following:

STAGE OF DEVELOPMENT	1. Explain Public Purpose Served	2. Link Goals and Results	3. Focus on Few Critical Aspects of Performance	4. Relate Results to Risk and Capacity	5. Link Resources, Strategies and Results	6. Provide Comparative Information	7. Present Credible Information, Fairly Interpreted	8. Disclose the Basis for Key Reporting Judgements
Fully incorporated		●	●					
Fundamentals in place	●			●	●	●	●	●
In process								
Start-up phase								

The WCB has fundamentally incorporated all eight BC Reporting Principles into the 2003 Annual Report, achieving a standard of excellence in linking goals and results, and in focusing on the few critical aspects of performance. The WCB's performance reporting has attained a standard that will allow me in future years to expand the scope of my work towards providing assurance regarding the fair and reliable presentation of performance.

Detailed Observations

My Office defined four stages of development, and established criteria for each of the eight principles. In general, the stages of development are:

Start-Up Phase..... Most significant elements have not yet been addressed

In Process..... Many significant elements have not been addressed, but progress is being made

Fundamentals In Place..... Most significant elements have been fundamentally addressed, although improvement is possible

Fully Incorporated..... All elements have been substantially addressed – a standard of excellence

While not essential for understanding this report, detailed information concerning the criteria used to assess the stage of development for each of the eight principles can be found on our website: www.bcauditor.com.

A description of the eight principles of public performance reporting, together with my assessment of the WCB's stage of development in relation to each principle, are set out below.

Principle – Good public performance reporting should:	Assessment:
1. **Explain the Public Purpose Served** Public performance reporting should explain why an organization exists and how it conducts its business, both in terms of its operations and in the fundamental values that guide it. This is important to interpreting the meaning and significance of the performance information being reported.	**Fundamentals In Place** The report clearly identifies public purpose, legislated mandate and major accountabilities. Core business areas and clients served are well described. Values (principles) are explained and imbedded in the report.
2. **Link Goals and Results** Public performance reporting should identify and explain the organization's goals, objectives and strategies and how the results relate to them.	**Fully Incorporated** Actual performance is reported ***consistently*** in relation to the plan – differences are identified and explained. Linkages between goals, actions and results are clear, adding to the ***relevance*** of the report. The achievement of outcomes is reported in the context of the WCB's influence and the impact of other parties. The report relates current performance to future targets.
3. **Focus on the Few, Critical Aspects of Performance** Public performance reporting should focus on the few, critical aspects of performance.	**Fully Incorporated** The report focuses on a few key measures of performance, while addressing all core business areas. While the WCB manages for results at a greater level of detail, reported performance is focused on being ***relevant*** to an external audience. Performance measurement is relatively ***consistent*** from year to year.

Report of the Auditor General of British Columbia

Principle – Good public performance reporting should:	Assessment:
4. Relate Results to Risk and Capacity Good performance reporting should report results in the context of an organization's risks and its capacity to deliver on its programs, products and services.	**Fundamentals In Place** The report identifies key risks, their impact on results and the WCB's response to them. Key capacity areas are described, as are strategies for maintaining capacity, although it is unclear if capacity is improving, deteriorating or static.
5 Link Resources, Strategies and Results Public performance reporting should link financial and performance information to show how resources and strategies influence results. Related to this is how efficiently the organization achieves its results.	**Fundamentals In Place** Revenue and expense variances are described. Management's commentary on the financial statements describes a number of financial management issues related to performance. Administrative efficiency is the focus of one key measure, and operational financial performance is the focus of another. Costs are related to key activities, although linkages to lines of business or objectives could be improved.
6. Provide Comparative Information Public performance reporting should provide comparative information about past and expected future performance and about the performance of similar organizations when it would significantly enhance a reader's ability to use the information being reported.	**Fundamentals In Place** Current performance is related to historic trends, although the use of graphs would assist this presentation. Association of Workers' Compensation Boards of Canada benchmarks, and their limitations, are discussed. Future performance targets are explained in the context of current performance.
7. Present Credible Information, Fairly Interpreted Public performance reporting should be credible – that is, based on quantitative and qualitative information that is fairly interpreted and presented, based on the best judgment of those reporting.	**Fundamentals In Place** ***Reliable:*** Documentation exists to support all of the performance information in this report. Most systems, both manual and automated, have been adequately documented. Controls to ensure the accuracy and ***completeness*** of performance data are in place for most systems. ***Timely:*** The report has been issued in accordance with statutory reporting deadlines. ***Understandable:*** The report is reasonably concise and specialized terminology has been avoided. ***Consistency, Fairness, Relevance and Completeness:*** These attributes are reported in relation to other reporting criteria, as ***highlighted***.
8. Disclose the Basis for Key Reporting Judgments Public performance reporting should disclose the basis on which information has been prepared and the limitations that should apply to its use.	**Fundamentals In Place** The report contains good explanations of how performance is measured and interpreted, including changes from prior years, enhancing the fairness of the presentation. Where appropriate, uncertainties in the measurement of specific performance measures have been stated. The Board Chair and the CEO have affirmed their ownership of the report, and described their confidence in the accuracy, fairness and reliability of the information.

Victoria, British Columbia
March 12, 2004

Wayne Strelioff

Wayne Strelioff, FCA
Auditor General

Performance Targets and Results

Measuring Our Performance

The WCB's Board of Directors and Senior Executive Committee have established key strategic goals to guide the WCB as it moves towards a new level of service and operational performance. These goals were derived directly from the WCB's mandate, vision, governing principles, and the priorities set out by the Board of Directors:

Goal 1: Foster the improvement of occupational health and safety in workplaces

Goal 2: Improve service to stakeholders

a) Improve satisfaction, accessibility, and public confidence

b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation

Goal 3: Improve cost-effectiveness and accountability of the services we deliver

Goal 4: Maintain financial sustainability and stability

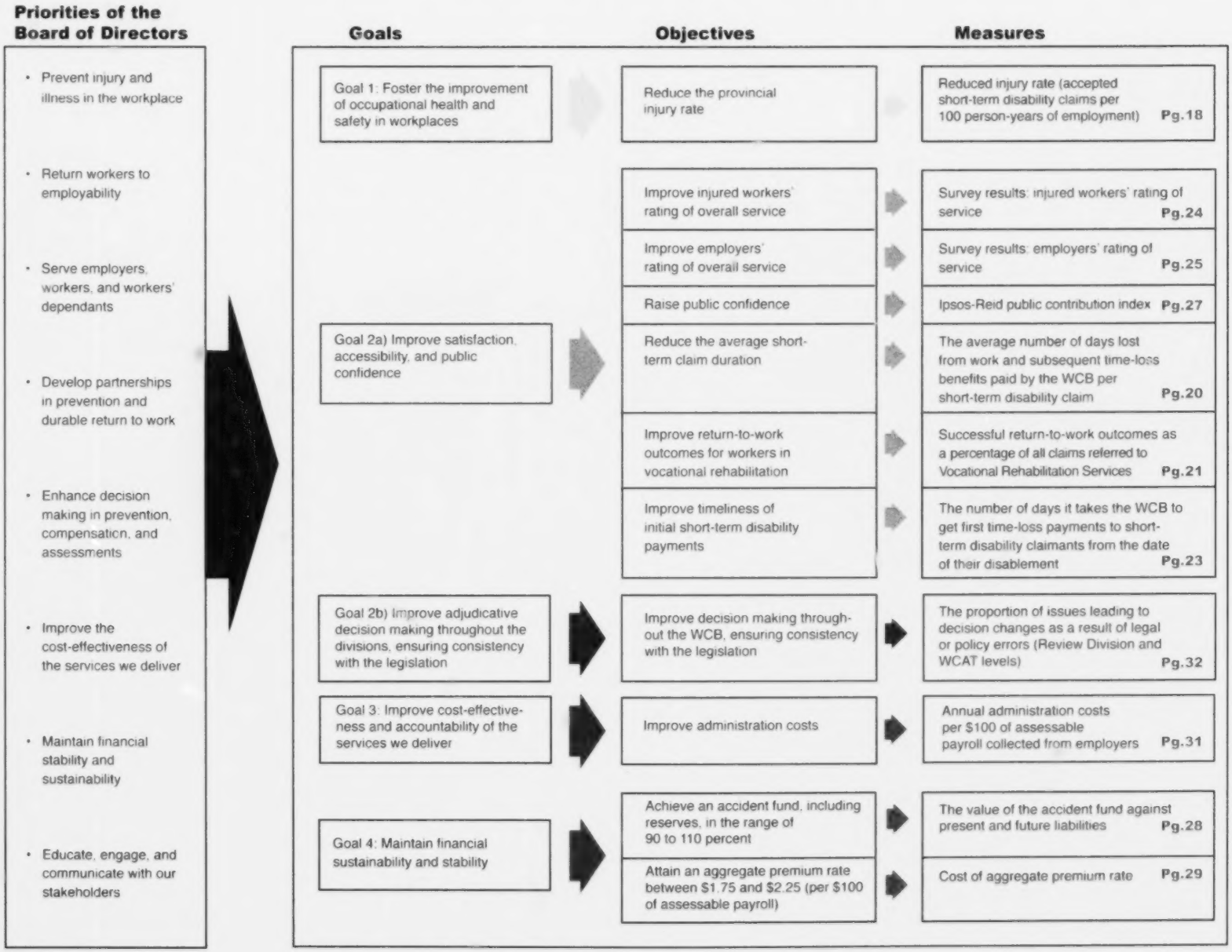
The Board of Directors has also approved a series of key objectives with corresponding performance indicators. These objectives and performance indicators flow directly out of the Board's strategic goals and provide results-oriented measures by which the WCB can track progress, make evidence-based decisions, and enhance public accountability.

Last year's annual report contained 10 key objectives/performance indicators, and the service plan contained 24 measures of performance (there was some overlap between the two). For 2003, the objectives and indicators from both documents were combined and distilled down to 11 critical areas of success:[1]

1. Reduce the provincial injury rate
2. Reduce the average short-term claim duration
3. Improve return-to-work outcomes for workers in vocational rehabilitation
4. Improve timeliness of initial short-term disability payments
5. Improve injured workers' rating of overall service
6. Improve employers' rating of overall service
7. Raise public confidence
8. Achieve an accident fund, including reserves, in the range of 90 to 110 percent
9. Attain an aggregate premium rate between $1.75 and $2.25 (per $100 of assessable payroll)
10. Improve administration costs
11. Improve decision making throughout the WCB, ensuring consistency with the legislation

[1] Strategic planning is a dynamic process and therefore may produce new performance measures in 2004.

Selection of 2003 performance indicators


Priorities of the Board of Directors
Prevent injury and illness in the workplace
Return workers to employability
Serve employers, workers, and workers' dependants
Develop partnerships in prevention and durable return to work
Enhance decision making in prevention, compensation, and assessments
Improve the cost-effectiveness of the services we deliver
Maintain financial stability and sustainability
Educate, engage, and communicate with our stakeholders
Goals
Objectives
Measures
Goal 1: Foster the improvement of occupational health and safety in workplaces
Reduce the provincial injury rate
Reduced injury rate (accepted short-term disability claims per 100 person-years of employment) Pg.18
Goal 2a) Improve satisfaction, accessibility, and public confidence
Improve injured workers' rating of overall service
Survey results: injured workers' rating of service Pg.24
Improve employers' rating of overall service
Survey results: employers' rating of service Pg.25
Raise public confidence
Ipsos-Reid public contribution index Pg.27
Reduce the average short-term claim duration
The average number of days lost from work and subsequent time-loss benefits paid by the WCB per short-term disability claim Pg.20
Improve return-to-work outcomes for workers in vocational rehabilitation
Successful return-to-work outcomes as a percentage of all claims referred to Vocational Rehabilitation Services Pg.21
Improve timeliness of initial short-term disability payments
The number of days it takes the WCB to get first time-loss payments to short-term disability claimants from the date of their disablement Pg.23
Goal 2b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation
Improve decision making throughout the WCB, ensuring consistency with the legislation
The proportion of issues leading to decision changes as a result of legal or policy errors (Review Division and WCAT levels) Pg.32
Goal 3: Improve cost-effectiveness and accountability of the services we deliver
Improve administration costs
Annual administration costs per $100 of assessable payroll collected from employers Pg.31
Goal 4: Maintain financial sustainability and stability
Achieve an accident fund, including reserves, in the range of 90 to 110 percent
The value of the accident fund against present and future liabilities Pg.28
Attain an aggregate premium rate between $1.75 and $2.25 (per $100 of assessable payroll)
Cost of aggregate premium rate Pg.29

The 11 performance indicators selected for this report are not the only indicators of success used by the WCB, but they have been chosen by senior management as a means to highlight the most crucial aspects of the WCB's performance. Together, they create a comprehensive picture of the WCB's progress towards achieving its vision.

The indicators have been drawn from a larger set of measures used to track and guide overall performance at the WCB. The complete set of measures reflects a "balanced scorecard" approach to reporting, which goes beyond traditional financial measures of success, taking into account other outcomes that are crucial to the fulfillment of the WCB's mandate. The measures are monitored and evaluated throughout the year; in fact, most are updated monthly or quarterly. Collectively, they provide an overall view of the WCB's direction, and allow management to adjust course in real time.

It should be noted that the performance measures used by the WCB are not static. There is an ongoing effort to improve and refine key performance indicators. So, while the 11 indicators contained in this report were identified as the best representatives of overall performance in 2003, next year the WCB may have new priorities in place. In 2004, the Board of Directors will continue its comprehensive review of the WCB's strategic direction, which may result in new strategic goals and objectives, new performance measures, and new targets to further enhance the WCB's WorkSafe vision.

Ensuring continuity

The key performance indicators for 2003 are largely a continuation of those contained in previous years' annual reports, but there have been some important changes.

Two of the objectives and associated indicators from 2002 – improve the work climate every year and reflect the diversity in our community within our workforce – have been removed from this year's report. They remain key priorities for the WCB and will continue to be measured and monitored by the Board of Directors, but they are believed to be of lesser interest to external audiences.

Three new objectives and performance indicators were added in 2003:

- Improve employers' rating of overall service – The WCB has worked extensively in this area in recent years, with the intention of assessing and continually improving service to employers. The addition of this measure reflects the WCB's intention to make this a priority.
- Improve administration costs (per $100 of assessable payroll) – This is a standard measure used by the Association of Workers' Compensation Boards of Canada to help track administrative expenditures in each jurisdiction and measure administrative cost effectiveness. Containing administration costs and improving administrative processes to achieve efficiencies are key priorities for the WCB.
- Improve decision making throughout the WCB, ensuring consistency with the legislation – Last year's overhaul of the workers' compensation review and appeals process highlighted the need to measure and assess decision making at the Board. The WCB has therefore added an objective and performance indicator to ensure that its decision making is consistent with law and policy.

There are a number of performance indicators contained in the 2003-2005 Service Plan that have not been carried forward. The WCB will continue to use these measures to track progress against the WCB's strategic goals; however, in the interest of streamlining and simplifying the reporting structure, they will not be contained in the main report. For the complete list of measures used in last year's service plan, including actual results achieved in 2003, refer to Appendix B.

Comparing our performance with other jurisdictions

In Canada, all workers' compensation organizations collect data to help measure performance and administer their systems. However, there is little standardization or consistency from one jurisdiction to the next. To help make comparisons between jurisdictions, the Association of Workers' Compensation Boards of Canada has developed a series of standardized measures. For more information about these comparisons, see Appendix A.

Performance targets and results at a glance

Key objectives/performance indicators		2003 Targets	2003 Results	2004 Targets	2005 Targets	2006 Targets
Reduce the provincial injury rate (the number of short-term disability claims accepted by the WCB per 100 person-years of employment)		3.1	3.0	3.0	Less than 3.0	Less than 2.9
Reduce the average short-term claim duration		46.9 days	46.5 days	46.2 days	46.0 days	46.0 days
Improve return-to-work outcomes for workers in vocational rehabilitation		63%	63%	66%	69%	70% or greater
Improve timeliness of initial short-term disability payments		16 days	18.8 days	17 days	16.5 days	16 days
Improve injured workers' rating of overall service (10-point scale)		8.0	7.5	7.9	8.0	8.2
Improve employers' rating of overall service (10-point scale)		7.9	7.9	7.9	8.0	8.2
Raise public confidence		70% positive	70% positive	73% positive	75% positive	77% positive
Achieve an accident fund, including reserves, in the range of 90 to 110 percent		95%	100%	101%	102%	103%
Attain an aggregate premium rate between $1.75 and $2.25 (per $100 of assessable payroll)		$2.06 ($1.93 after transition and surplus)	$2.09 ($1.92 after transition and surplus)	$2.06 ($1.91 after transition and surplus)	$2.03	$2.00
Improve administration costs (per $100 of assessable payroll)		$0.39	$0.37	$0.36	$0.36	$0.35
Improve decision making throughout the WCB, ensuring consistency with the legislation (proportion of issues leading to overturned decisions at the review or appeal level due to WCB error in law or policy)	*Review level:*	Establish a baseline	7.9%*	7.0%	6.0%	5.0%
	Appeal level:	Establish a baseline	2.2%*	Less than 3.5%	Less than 2.5%	Less than 2.0%

**Formal baselines are not yet established; therefore, all decision-making targets are considered preliminary.*

Key objective/performance indicator #1

Reduce the provincial injury rate

2003 Target	2003 Result	2004 Target	2005 Target	2006 Target
3.1	3.0	3.0	Less than 3.0	Less than 2.9

Importance

Preventing work-related injury and illness is the WCB's number one priority. Success is primarily measured by the injury rate – the number of short-term disability claims accepted by the WCB per 100 person-years of employment.[1] The higher the injury rate, the higher the human and financial costs to the system, while a reduced rate can result in significant savings. In fact, each percentage point of reduction translates to approximately 600 fewer workers who experience a time-loss injury, $9 million in lower claim costs, and approximately 27,000 productive work days gained to the economy. More importantly, a reduced injury rate means that thousands of workers and their families are spared unnecessary pain, grief, and suffering.

Performance highlights

In 2003, the WCB, along with employers, workers and other partners, achieved a record-low injury rate of 3.0 per 100 person-years of employment. This is down almost 7 percent from last year's rate[2] and exceeds the WCB's performance target of 3.1.[3] In human and economic terms, the reduction has resulted in roughly 4,000 workers avoiding a time-loss injury, $60 million in avoided claim costs, and 190,000 work days gained to the economy. The reduction in the rate is a continuation of a trend that has seen the injury rate fall year after year from 5.2 in 1994.[4]

Based on preliminary 2003 data, the industry subsectors that have seen the biggest injury rate declines over the past five years appear to be warehousing, metal products manufacturing, and food and beverage products manufacturing. There are about 600 classification units (CUs) that make up the larger industry subsectors. Injury rates within these individual CUs tend to fluctuate more widely than within industry subsectors. However, many CUs are so small that their annual injury rate changes are not statistically reliable.

Major programs and strategies

The successful reduction of the provincial injury rate has been made possible by workers, employers, unions, industry associations, and WCB staff all working together to improve safety in the workplace. Some of the major initiatives launched by the WCB as part of its WorkSafe strategy include:

Focusing on high-risk industries – Using claims data, the WCB has identified seven industries where workers face the greatest risk of injury and/or disease. Armed with this knowledge, the WCB focused its education and enforcement activities in these areas, which has yielded positive results. There was an estimated 3.3 percent overall reduction in claims among high-risk industries in 2003.

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[1] To calculate the 2003 injury rate early in 2004, the WCB assumes that the increase in all B.C. employment in 2003, as reported by Statistics Canada, is a reasonable estimate for the increase in WCB-covered B.C. employment. The WCB also assumes that the number of injuries that occurred in 2003 and will be accepted in February and March of 2004, as a percentage of the number of injuries that occurred in 2003 and were accepted in 2003 or in January 2004, is the same as the corresponding percentage for injuries that occurred in 2002. In the past, the overall injury rate estimate has been accurate to one decimal place.

[2] The 7 percent reduction is based on the injury rate being calculated to two decimal places.

[3] The WCB's 2002 Annual Report listed the target injury rate for 2003 as 3.2, but the actual target was 3.1. The discrepancy is based on a realignment calculation made after the report was published.

[4] Comparing the injury rate to years before 1994 is difficult due to legislative changes that impacted the calculation of the rate. Nevertheless, when the rate for earlier years is adjusted for comparison on an approximate basis, the injury rate has been declining since 1980 when it was 7.6 (approximate basis). Shifts in industry mix have accounted for some of this decline; but in real terms, the rate has fallen by about half since 1980.

Working with focus firms — The focus firm strategy targets firms that are experiencing exceptionally high injury rates, and large employers who experience a significant volume of claims. The WCB works with them to implement a focused plan for injury and illness reduction. In total, focus firms reduced their number of claims in 2003 by 554 (5.5 percent).

Young worker strategy — Young workers (aged 15 to 24) have historically had much higher injury rates than the provincial average. To address the issue, the WCB has developed a targeted awareness campaign that focuses on schools, media promotion, and special events designed to reinforce the WorkSafe safety message. Young worker claims were reduced from 9,130 in 2002 to an estimated 8,890 in 2003 (down 2.6 percent). Since 1994, the young worker injury rate has fallen from 5.9 to an estimated 3.4 injuries per 100 person-years of employment.[1]

Small business strategy — Approximately 90 percent of all businesses registered with the WCB are classified as small businesses (20 workers or less), and they generate about one-third of all short-term disability claims. In recent years, the WCB has been working closely with small business employers, safety associations, and other stakeholder groups to help address small businesses' unique safety needs.

Developing industry partnerships – The WCB is committed to forging strategic partnerships within key industries in order to pool resources, foster synergies, and focus on reducing work-related injuries and illness. In particular, the WCB has helped establish safety associations in the forestry, construction, and agriculture industries, sponsored several large-scale safety initiatives, and participated in the government-initiated Forest Safety Task Force.

Looking ahead

In 2004, the WCB's goal is to maintain an injury rate of 3.0, and by 2006, the WCB hopes to push the rate down below 2.9. However, the lower the injury rate gets, the more difficult it may become to realize further declines. In addition, external factors such as increasing employment, an aging workforce, economic pressures, and changing industry mix could exert negative pressures on the rate. The WCB is analyzing these factors and will work with stakeholders to develop programs and strategies for mitigating the risks. The oil and gas industry, for example, is projected to expand over the next few years and historical data shows this industry tends to experience increased injuries and claims during growth periods. The WCB will therefore work closely with the industry to ensure that serious injuries and fatalities are avoided during this expansion phase.

In 2004, the WCB will roll out a new Serious Injury Prevention Strategy that will target industry sectors and classification units where serious injuries are a concern. Consultation, education, enforcement, and compliance will be key components of the strategy, but the overarching focus will be on identifying and communicating root causes of serious incidents and injuries to workers and employers, and providing prevention advice.

Another key strategy will be to foster and develop stakeholder health and safety self-sufficiency. This will be achieved through WCB industry-sector-based business teams working closely with industry and labour groups, and will include greater support and development of industry safety associations and workgroups.

[1] The young worker injury rate for 2002 was revised from 3.2 to 3.5 after publication of the 2002 Annual Report, as the calculation methodology was amended during the course of the year.

Key objective/performance indicator #2

Reduce the average short-term claim duration

2003 Target	2003 Result	2004 Target	2005 Target	2006 Target
46.9 days	46.5 days	46.2 days	46.0 days	46.0 days

Importance

The average short-term claim duration represents the average number of days lost from work and subsequent time-loss benefits paid by the WCB per short-term disability claim. The longer the claim, the greater the time-loss costs. Medical and rehabilitation costs also generally increase with time. But, beyond the costs, the longer an injured worker is away from work, the less likely it is that he or she will ever return, which is why the WCB strives to resolve claims in a safe and timely manner. The average short-term claim duration is a key measure of this goal.

Performance highlights

The average short-term claim duration in 2003 was 46.5 days, down from 47.2 days in 2002.[1] This was better than the WCB's target for the year and is a continuation of a trend that has seen average short-term claim duration fall annually since reaching a high of 51.6 days in 1999.

Major programs and strategies

The WCB has a variety of strategies and programs in place to help reduce short-term claim duration. First and foremost is the WCB's commitment to working with injured workers to provide timely and appropriate rehabilitation and return-to-work planning. In fact, in 2003 the WCB adopted a new service delivery model for claimants that focuses on providing a higher level of support, counselling, and return-to-work services earlier in the claims process (see pages 24 and 25 for more information).

To help shorten longer-term claims, the WCB established a Head Office Claims Unit that provides expert, specialized support for complex claims. These claims typically involve serious injury and have a propensity for long duration, high costs, and diminished return-to-work outcomes. The WCB also conducts quarterly reviews of all claims greater than 240 days to ensure that claims management plans are in place to help bring these claims to a satisfactory resolution.

To improve rehabilitation and return-to-work timelines for injured workers, the WCB provides expedited medical services to many claimants who would otherwise be subjected to lengthy waiting lists in the public health care system. In some cases, lack of expedited services could jeopardize a timely return to work and prolong claim duration. In 2003, injured workers received a variety of expedited medical services ranging from diagnostic scans, to specialized rehabilitation programs and orthopaedic surgery.

The WCB works closely with health care providers throughout the province to help bring claims to a timely and successful resolution. In 2003, the WCB continued to reach out to the medical community by sharing research, conducting education sessions on WCB-related issues, helping to plan for successful rehabilitation of injured workers, and working to establish reasonable "best practice" recovery dates, all of which can lead to improved duration results.

In 2003, the WCB also continued to reduce its inventory of aged claims (those that are 85 days old or more), which contributed to shorter overall duration

[1] 2002 average short-term claim duration results and 2003 targets were changed after the publication of the 2002 Annual Report due to measurement improvements that were made during the course of the year.

results and meant that fewer workers were awaiting final decisions on their claims. In December 2003, the WCB had an aged inventory of 3,007 claims, down 9.5 percent from the same period in 2002, when there were 3,322 claims in the aged inventory.

Looking ahead

In 2004, the WCB aims to reduce average short-term claim duration to 46.2 days, and by 2005, the goal is to reach 46 days or less. This will be achieved through a continued focus on early return-to-work intervention. Externally, the major factor (or combination of factors) that could potentially affect average short-term claim duration is the general mix of claims received by the WCB each year (in terms of gender, age, types of injuries, etc.) This "claims mix" remained virtually unchanged between 1999 and 2002, and preliminary data suggests that it was stable in 2003 as well. Although not expected to shift in the immediate future, longer-term changes to the claims mix could potentially exert positive or negative pressure on average claim duration.

Key objective/performance indicator #3

Improve return-to-work outcomes for workers in vocational rehabilitation*

2003 Target	2003 Result	2004 Target	2005 Target	2006 Target
63%	63%	66%	69%	70% or greater

**As a percentage of all claims referred to Vocational Rehabilitation Services for assistance in returning to employment*

Importance

The longer an injured worker is away from work, the less likely it is that he or she will ever return. That is why the WCB strives to rehabilitate injured workers and help them return to safe, productive employment as soon as possible. It is better for the worker, better for the employer, and more cost-effective for the entire workers' compensation system.

The majority of injured workers return to work following recovery and rehabilitation; however, some workers with complex work-related impairments are unable to return to employment without assistance. Many factors influence the outcome of such cases: the extent of disability, transferability of job skills, and labour market conditions to name a few. Through the assistance of WCB vocational rehabilitation consultants, willing employers, and selected training organizations, most workers referred to the WCB's vocational rehabilitation program are successful in obtaining suitable new jobs.

In the past, the WCB measured success in this area by tracking the percentage of injured workers with permanent functional impairment who successfully returned to work following referral to the Board's vocational rehabilitation program. However, by focusing on such a specific group, there were some limitations to the data. Also, in 2002 and 2003, amendments to the *Workers Compensation Act* and WCB policy put greater emphasis on the value of returning to work at all stages of the claims process, which changed the eligibility criteria for the program, making it difficult to accurately compare performance data with results from previous years.

Now, rather than tracking the return-to-work outcomes for only those workers with permanent functional impairment, the WCB tracks the outcomes

for all workers referred to vocational rehabilitation. At the same time, the WCB continues to develop a new measure that will better reflect the WCB's broader return-to-work focus.

Performance highlights

In 2003, 1,755 of the 2,792 injured workers referred to the program[1] (63 percent) were assisted back to the workplace. For the 1,037 who remained, 444 retired from the workforce (or decided not to look for work), and 593 did not find work before their benefits came to an end. This was on target for the year, and is an improvement over the 60 percent return-to-work rate in 2002.

During 2003, the WCB began developing a new performance indicator for measuring the success of its return-to-work programs. However, much work is still needed to bring the WCB's electronic systems in line with the new policy and legislation, so that valid, reliable return-to-work data can be tracked and measured.

Major programs and strategies

Over the past year, the WCB had a number of strategies and programs in place designed to improve return-to-work outcomes. First and foremost was an early intervention strategy to help injured workers return to work as soon as possible. As part of this strategy, WCB nurse advisors collaborated with entitlement officers to develop return-to-work plans for workers with shorter-duration claims (up to 12 weeks); and for workers with claims of medium or long duration, WCB vocational rehabilitation consultants became involved earlier in the recovery process. As a result of this initiative, by the end of 2003, workers were referred to a vocational rehabilitation consultant an average of 100 days earlier than in 2002.[2]

To assist workers who were unable to return to their former employer, the WCB continued to develop its Employment Development and Placement (EDAP) strategy. EDAP helps vocational rehabilitation consultants and their clients find and secure suitable employment. Two key components of EDAP are the Hire a Worker program, which allows employers to submit job opportunities to the WCB electronically, and Job Finder, which allows injured workers and vocational rehabilitation consultants to access these opportunities as part of the job search process. In 2003, EDAP saw more than 1,600 jobs posted online.

Looking ahead

In 2004, the WCB will look to increase its successful return-to-work outcomes for those referred to the vocational rehabilitation program to 66 percent, and by 2006, the goal is to reach 70 percent or higher. The WCB will also continue to develop a new performance measure that better reflects the organization's broader return-to-work focus, and is aiming to have the new measure in place by the end of 2004.

Improved return-to-work outcomes will be achieved by offering injured workers return-to-work planning earlier in the claims process, but return-to-work outcomes are also affected by larger external factors such as the economic climate, severity of injuries, and worker demographics to name a few. Older workers, for example, typically take longer to return to work than younger workers. In the long term, as B.C.'s working population continues to age, it may become more difficult for the WCB to achieve its return-to-work objectives. To address the problem, the WCB will continue to modify and improve its return-to-work programs and focus on getting involved earlier in the process, so that injured workers have the best chance possible to get back to healthy, productive employment.

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[1] Typically, 3 to 4 percent of all workers with time-loss claims require referral to vocational rehabilitation services for return-to-work assistance.
[2] Measured from the date of injury to the date of referral to a vocational rehabilitation consultant, in calendar days.

Key objective/performance indicator #4

Improve timeliness of initial short-term disability payments

2003 Target	2003 Result	2004 Target	2005 Target	2006 Target
16 days	18.8 days	17 days	16.5 days	16 days

Importance

This measure tracks how quickly the WCB gets first time-loss payments to injured workers with short-term disabilities.[1] It is a key indicator of the WCB's customer service performance. Although payment processing times are often affected by external factors such as the nature of the injury or illness and/or complexity of the claim, the WCB continually strives to improve internal processes so that time-loss payments can be delivered as quickly as possible, while at the same time, delivering fair, impartial, and thorough adjudication.

Performance highlights

After three years of stability (at just above 16 days), this measure increased to 18.8 days in 2003.[2] This seven-year high is well above the WCB's target of 16 days. Timeliness was off target in 2003 due to a number of factors, including adapting to changes in staffing levels and challenges associated with administering two new pieces of legislation, Bills 49 and 63. Other factors that influenced the loss in timeliness included the length of time it took employers and claimants to file accident reports with the WCB and internal and external lag times in processing claims information.

Major programs and strategies

In 2004, the WCB is aiming to improve timeliness through improved staffing levels and staff stability, as well as improved competencies in administering the new legislation. This will be achieved through staff education and training initiatives, and will also naturally improve over time. In addition, a number of targeted strategies are in place to help achieve better adjudication timeliness, including:

- Streamlined claims processing in areas that have been identified as potential sources for improvement
- A focused reduction in the number of claims in queue awaiting entitlement decisions
- Working with committees of employers and medical providers to improve timeliness of injury reporting and form submission

In addition, the WCB is exploring potential e-business solutions to enhance efficiency and reduce the number of days it takes to get initial short-term disability payments to injured workers.

Looking ahead

In 2004, internal factors will continue to pose a challenge for initial short-term disability payment timeliness, but through targeted strategies, the WCB is aiming to improve average timeliness to 17 days or less. The effects of implementing the new legislation are expected to diminish as time goes on. The long-term goal is to reach 16 days or less by 2006.

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[1] Timeliness of initial short-term disability payment is specifically defined as the average interval between the first day an injured worker is entitled to time-loss benefits and the date on which his or her first short-term disability payment is entered into the WCB's payment system.

[2] The 18.8 day timeliness statistic is comprised of 77 percent of injured workers who receive payments directly from the WCB (timeliness 24.4 days) and 23 percent of injured workers who continue to be paid by their employers ("experienced" timeliness of 0 days).

Key objective/performance indicator #5

Improve injured workers' rating of overall service*

2003 Target	2003 Result	2004 Target	2005 Target	2006 Target
8.0	7.5	7.9	8.0	8.2

**Rating on a 10-point scale*

Importance

One of the WCB's key objectives is to improve service to injured workers, and one of the ways the WCB measures performance in this area is by surveying. In 2003, the WCB contracted Ipsos-Reid, a polling and research company, to conduct quarterly surveys of approximately 2,000 injured workers.[1] Participants were asked to rate the WCB on a variety of service attributes, but the main indicator of success was the worker's impression of the overall service provided by the WCB staff member with whom they had their last contact during the claims process. The ratings were scored on a 10-point scale, with 10 representing "excellent" and 1 representing "extremely poor."[2] The results help the WCB gauge the level of service provided to injured workers during the claims process, an important part of the WCB's public accountability.

Performance highlights

In 2003, injured workers' average rating of overall service was 7.5 out of 10, down slightly from 7.6 in 2002, and below the target of 8.0.[3] This is the second consecutive year in which the rating has fallen. Previously, it had been holding steady at 7.8. The WCB did receive a good score in the related service category "knowledge of the claims process" (8 out of 10), which is a significant achievement considering recent legislative changes to workers' compensation entitlement benefits and the appeal structure. However, other attributes of service such as "availability" (6.5 out of 10) and "speed of service" (7.1 out of 10) are in need of improvement.

The year 2003 presented a variety of challenges for WCB staff, which manifested themselves in a variety of ways and impacted clients' perception of overall service. For example, staff learned how to interpret and implement a variety of benefit-related changes, many of which affected their speed and timeliness when responding to clients' questions.

Major programs and strategies

In 2003, the WCB restructured its service delivery model to address the gaps that surveys and internal reviews had identified as areas for improvement. While the WCB generally scores well in terms of service provided by individual staff members (attributes such as "courtesy," "professionalism," and "respect"), areas for improvement generally stem from the "handing off" of workers' claims from one part of the WCB to another, and the degree to which employees are available to offer personalized service to injured workers.

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[1] A total of 7,630 injured workers were surveyed in 2003. The margin of error for the results is +/- 0.1 percent, 95 times out of 100. The population of injured workers used by Ipsos-Reid for randomized polling includes all workers who have either been paid time-loss or vocational rehabilitation benefits in the previous 30 days, or whose claims were disallowed in the previous 30 days. Claimants who have been polled in the previous six months are excluded.

[2] While 10 represents "excellent" and 1 represents "extremely poor," the numbers in between (2 through 9) don't have defined values, but they do have intrinsic meaning when compared with historical results. Generally, the closer the number is to 10, the better the score.

[3] There was a minor discrepancy between the injured workers' average rating of service reported in the 2002 Annual Report and the 2003-2005 Service Plan. The correct rating was 7.6 out of 10 and the target for 2003 was 8.0 out of 10.

The new service delivery model is built on a team concept with fewer hand-offs and more team ownership of individual claims earlier in the process. The model is also designed to provide a higher level of supportive, counselling-based return-to-work services. It brings medical, nursing, and vocational rehabilitation resources into the claims management process earlier, so that the WCB can provide better service to injured workers and help them get back to work safely, in as timely a manner as possible.

This is an evolving model based on best practices. As the WCB begins to apply the new model, management will identify areas that are working and those still in need of refinement. It is believed that this new approach will improve the claims process for injured workers and, over time, improve ratings of overall service.

In addition to the new service delivery model, the WCB will be developing specialized services for large and small employers in different industries. This is expected to benefit injured workers as well. Over the next few years, the WCB will also be making more personalized services available online. Although this won't directly affect workers' experience of service provided by individual staff members, it does hold the promise of increasing the speed of initial and routine claims processing, which is a significant contributor to workers' overall perception of service.

Looking ahead

In 2004, the WCB is aiming to raise injured workers' rating of overall service to 7.9 out of 10. By 2006, the goal is to achieve a rating of 8.2. The new service delivery model will help improve the overall rating. The WCB will endeavour to build upon service-delivery initiatives launched in 2003, evaluate its programs and strategies, and constantly look for new ways to improve the quality and level of service offered to injured workers.

Key objective/performance indicator #6

Improve employers' rating of overall service*

2003 Target	2003 Result	2004 Target	2005 Target	2006 Target
7.9	7.9	7.9	8.0	8.2

**Rating on a 10-point scale*

Importance

To help ensure the WCB is meeting the service needs of employers, the WCB contracts Ipsos-Reid to survey employers' overall impressions of service.[1] Only employers who have had two or more claims in the previous 12 months are contacted.[2] The survey gathers data in a variety of categories, but the main indicator of success is employers' rating of overall service provided by the WCB staff member with whom they had their last point of contact in regards to their claim. The ratings are scored on a 10-point scale, with 10 representing "excellent" and 1 representing "extremely poor."[3] The results help the WCB track, monitor, and subsequently improve its service to employers.

[1] Four hundred employers were surveyed in 2003. The margin of error for the results is +/- 4.9 percent, 19 times out of 20.

[2] The population of employers used by Ipsos-Reid for randomized polling includes all employers who have registered at least two long-term disability, time-loss, or fatal claims in the previous 12 months. Ipsos-Reid stratifies the employers by size (small, medium, large) and by region (Lower Mainland and the rest of B.C.), then randomly draws employers from each of the six sub-groups (three employer sizes x two regions).

[3] While 10 represents "excellent" and 1 represents "extremely poor," the numbers in-between (2 through 9) don't have defined values, but they do have intrinsic meaning when compared with historical results. Generally, the closer the number is to 10, the better the score.

Performance highlights

In 2003, WCB staff achieved an average rating of 7.9 out of 10 for "overall service."[1] This was on target for the year and surpassed scores from previous surveys conducted between May 1999 and December 2001. In terms of specific service attributes, WCB staff scored best in areas such as "courteousness" (8.5), "professionalism" (8.3), and "knowledge of the claims process" (8.2). And while the WCB's most significant challenge and lowest mark was for "availability" (6.8), this rating was up 0.5 points from the previous survey, conducted in December 2001.

Major programs and strategies

The WCB is performing well in terms of personal service provided by individual staff members. However, after analyzing employer satisfaction results, the greatest challenge and area for improvement appears to be service provided to small businesses. Unlike large employers, small businesses don't usually have employees to deal exclusively with workers' compensation matters so, for many, their interactions with the WCB are often confusing. To address this issue, in early 2004 the WCB began a pilot program called the Small Business Contact Centre. Initially, the program will deal with only small businesses in the construction industry. It will provide a specialized, single point of contact for accessing WCB services. If successful, the program will be expanded to small business employers in other industry sectors.

For larger employers, the WCB has expanded its efforts to better communicate with various industry sectors. In 2003, for example, the WCB began delivering targeted and dedicated resources to the health care sector in order to help address significant return-to-work challenges. In addition, managers in area offices across the province established an outreach program for large employers whose claim volume or duration indicated they would benefit from special attention.

In 2003, the WCB continued to develop its Employment Development and Placement (EDAP) program, which provides employers with financial assistance to hire and prepare injured workers for return-to-work opportunities. Previous surveys indicated this sort of initiative was important to employers.

The success of these initiatives is founded on respectful relationships not only with employers, but also with injured workers and their representatives.

Looking ahead

In 2004, the WCB's goal is to maintain employers' 7.9 rating of service, then gradually increase the rating to 8.2 by 2006. This will be achieved through the continued expansion and evolution of service initiatives tailored to suit employers by size and industry type. Over the next three years, the WCB will develop innovative programs for employers in the road-building and construction industries, for example, which will see significant expansion as they prepare for the 2010 Olympics.

[1] The 2003-2005 Service Plan listed the targeted employers' overall rating of service satisfaction as 7.8, but the actual target was 7.9.

Key objective/performance indicator #7

Raise public confidence*

2003 Target	2003 Result	2004 Target	2005 Target	2006 Target
70%	70%	73%	75%	77%

**As measured by the public contribution index*

Importance

The public contribution index helps the WCB understand and track how the public views the WCB and its contribution to the province. The index is measured by Ipsos-Reid which surveys 800 B.C. residents every three months.[1] Although a variety of factors are measured, the major indicator of success is the overall approval rating, which indicates the degree to which British Columbians think the WCB makes a positive contribution to the province. Weaker public confidence can undermine the WCB's strategic goals, while higher public confidence reflects improved trust, credibility, and buy-in from stakeholders, and allows the WCB to develop stronger partnerships with workers, employers, and public and private organizations to reduce workplace injuries and illness and promote a safe and durable return to work.

Performance highlights

In 2003, the WCB's average public contribution rating reached an all-time high of 70 percent positive, which is a continuation of a trend that has seen the WCB's rating climb since 1996 when it was 51 percent. The rating was on target for the year and compares well with those of other large public and private sector organizations (see Appendix A for more information).

Major programs and strategies

The WCB's public contribution rating is a reflection of all products and services offered by the WCB, rather than a specific set of programs and strategies. It encompasses all aspects of the organization, including prevention, education, claims adjudication, return to work and rehabilitation, e-business, financial stability, and more. The rating is an amalgamation of everything the WCB does and a summation of its perceived value and quality of service.

Looking ahead

Building on the success achieved in 2003, the WCB aims to increase its public contribution rating to a 73 percent positive rating in 2004 and up to a 77 percent positive rating by the end of 2006. The gains will be a challenge to achieve and will be influenced by a myriad of internal and external factors, but with an ongoing focus on improved service delivery, the WCB will continue to look for new opportunities to add value for its stakeholders, which in turn will be reflected in an overall improvement in public confidence.

[1] For each quarterly survey, the margin of error is +/- 3.5 percent, 95 times out of 100.

Key objective/performance indicator #8

Achieve an accident fund, including reserves, in the range of 90 to 110 percent

2003 Target	2003 Result	2004 Target	2005 Target	2006 Target
95%	100%	101%	102%	103%

Importance

The $8.5 billion accident fund represents the total assets of the WCB (in the form of receivables, investments, property, plant, and equipment) that are held to meet future obligations of the system. Those future obligations include future payments of pensions and benefits awarded to claimants and survivors, accrued operating expenses, and the estimated but as yet undetermined future benefit costs and cost to service claims in existence at year end. The ratio of the accident fund assets over total future liabilities is known as the funded ratio. The WCB strives to achieve a funding ratio in the range of 90 to 110 percent. When the funding ratio is above 110 percent, the excess would be better used by employers for investment in their businesses, while a funding ratio below 90 percent would transfer the funding burden to future generations of employers.

Performance highlights

At the end of 2003, the accident fund, including reserves, was 100 percent of liabilities.[1] This was higher than the WCB's initial forecast of 95 percent and was the first time in three years that the funded ratio had risen. The increase is attributed primarily to two factors. First, the WCB's investment portfolio grew in 2003 by an estimated $280 million, which was slightly higher than the initial forecast. Second, benefit liabilities were $170 million lower than the initial forecast, primarily due to a one-time impact of legislative changes relating to survivors' benefits, as well as a record-low injury rate.

Major programs and strategies

To keep the accident fund within 90 to 110 percent of liabilities, the WCB maintains a relatively conservative and widely diversified investment portfolio that is designed to provide a reliable, stable cash flow. This conservative investment strategy has protected the integrity of the accident fund to the benefit of workers and employers. Because minor changes in the value of the WCB's assets can seriously affect the WCB's funded status, the WCB has a policy of smoothing gains and losses over a five-year period. This generally accepted accounting practice tends to reduce large swings in the WCB's funded status and in the cost of employers' premiums, and has generally helped the WCB stay within the target range. More detailed information on the WCB's investment strategy, including performance highlights, is provided in the Financials section beginning on page 35.

In addition to the value of the WCB's investments, the other major driver that affects funded status is the value of the WCB's liabilities. To minimize claim costs, which represent about 98 percent of the WCB's liabilities, the WCB focuses on the prevention of workplace injury and illness and, when claims do occur, the WCB aims for a safe and timely return to work. The WCB achieved success in 2003 by contributing to a record-low injury rate (see page 18) and working with injured workers and employers to reduce average short-term claim duration (see page 20) – both of which helped to reduce the estimated liability against the accident fund.

[1] In calculating the current funding ratio, the value of Assets (including reserves) is divided by Total Liabilities.

Looking ahead

The WCB will continue to manage its portfolio of assets and investments in a conservative manner in order to get the best possible returns with minimal risk. Returns, however, are subject to a wide variety of risk factors including economic growth, interest rates, and performance of the financial markets. The WCB will also attempt to reduce liabilities through continued prevention initiatives and a focus on safe and early return to work. But like investment returns, liabilities are also affected by a variety of broad social and economic factors. It is a complex mix with many variables, but based on current data, the targeted ratio of the accident fund to liabilities will be 101 percent in 2004, 102 percent in 2005, and 103 percent in 2006.

Key objective/performance indicator #9

Attain an aggregate premium rate between $1.75 and $2.25*

2003 Target	2003 Result	2004 Target	2005 Target	2006 Target
$2.06 ($1.93 after transition and surplus)	$2.09 ($1.92 after transition and surplus)	$2.06 ($1.91 after transition and surplus)	$2.03	$2.00

** Per $100 of assessable payroll*

Importance

Each year, the WCB sets employers' premium rates based on the cost of claims and the performance of the WCB's investment portfolio. Rates vary from one industry sector to the next, depending on the cost of claims for each sector, but the WCB strives to maintain an aggregate base rate between $1.75 and $2.25 per $100 of assessable payroll. If the aggregate base rate is too high (above $2.25), it puts undue financial strain on employers, and if it's too low (below $1.75), it weakens the WCB's ability to cover future compensation costs.

Performance highlights

The aggregate base premium rate for employers rose a modest 2 percent in 2003,[1] up 4 cents to an estimated $2.09 per $100 of assessable payroll ($1.92 after transition and surplus).[2] The increase was slightly above the WCB's initial forecast of $2.06, but was still less than in 1996, when the aggregate collection rate peaked at $2.29. In the past few years, rising claim costs and falling financial markets were the key drivers putting pressure on employers' base premium rates. Despite these challenges, the WCB has been able to maintain a relatively stable rate with only modest increases. This is in sharp contrast to many other jurisdictions, where rates for workers' compensation have risen dramatically.

In 2003, approximately 35 percent of B.C.'s employers saw their rates go down, 9 percent saw their rates remain stable, and 56 percent saw their base

[1] The estimated 2002 aggregate base premium rate in the 2002 Annual Report was $1.99, but based on revised calculations conducted after publication, the actual aggregate base rate is estimated to have been $2.05.

[2] For more information about transition and surplus, visit the WCB's web site at www.worksafebc.com/for_employers/managing_your_account/employer_rebate/emp_20_50_10.asp.

premium rates rise. Industries that saw a decrease included acute health care, beverage manufacturing, department stores, steel or metal wholesale, and more. Some of the industries that saw an increase were home construction and renovation, commercial construction, general trucking, sawmills, casinos, and highway maintenance.

Major programs and strategies

Since base premium rates are primarily driven by claim costs, the best way to reduce rates is to reduce injuries in the workplace. To that end, the WCB works with employers, workers, unions, and other stakeholders to strengthen workplace health and safety and drive down both the number of work-related injuries and illnesses and their costs. This is accomplished through a variety of WorkSafe programs including awareness campaigns, development of industry-specific health and safety associations, and customized programs with stakeholders (see pages 18 and 19 for more information). Through these initiatives, and with support of workers and employers, the overall provincial injury rate has been falling for more than a decade, which has translated to lower premium rates for many employers.

Preventing injury and illness is the first and best strategy for reducing claim costs, but when injuries do occur, the single biggest factor that affects claim costs is claim duration. To address this issue, the WCB works closely with injured workers and their employers to help return them to work quickly and safely.

Besides claim costs, the other major driver that exerts pressure on premium rates is the value of the WCB's investments and liabilities. A minor change in the value of either can have a major impact on the WCB's bottom line. Between 1995 and 2000, employers' rates were generally protected against increases due to an unusual period of market exuberance that produced greater-than-expected returns. Since that time, returns have been significantly lower, which has put upward pressure on premium rates. The WCB's conservative allocation of assets and diversification of investments has helped offset losses, which has protected against what otherwise could have been large premium rate increases.

WCB administration costs are another financial variable affecting overall premium rate calculations, although their impact is relatively small compared to claim costs. In 2003, the WCB focused on improving its administrative efficiency through an internal restructuring process that reduced overall administration costs by approximately 7.1 percent (see page 31 for more information).

Looking ahead

The aggregate base premium rate will decrease slightly in 2004 to $2.06 per $100 of assessable payroll. Base premium rates will remain constant or decline for 55 percent of B.C.'s registered employers. Twenty-one percent of employers will see their base premium rates fall by 10 percent or more, while 24 percent of employers will experience base rate increases of 10 percent or more. Longer-term forecasting depends primarily on where the injury rate and financial markets are heading and how much injuries sustained in 2004 will cost the system in future years. The WCB will continue to evaluate and refine its prevention initiatives, return-to-work programs, financial investment strategy, and other areas that either directly or indirectly influence premium rates, but broader social and economic factors will inevitably play a major role in shaping future rates as well. Based on current data, the WCB is tentatively targeting base premium rates of $2.03 for 2005 and $2.00 for 2006.

Key objective/performance indicator #10

Improve administration costs*

2003 Target	2003 Result	2004 Target	2005 Target	2006 Target
$0.39	$0.37	$0.36	$0.36	$0.35

**Per $100 of assessable payroll*

Importance

The WCB is committed to tracking and improving the cost of administering the workers' compensation system. It takes people, computers, buildings, office equipment, and a variety of other resources to adjudicate claims, conduct prevention and return-to-work initiatives, and deliver a multitude of other essential services to stakeholders. One way the WCB measures its cost-effectiveness is by calculating annual administration costs per $100 of assessable or covered payroll. These costs are one of the key statistical measures collected and reported on by other Canadian workers' compensation organizations (based on a common definition of administration costs, with adjustments made to allow for operating and legislative differences).[1] The measure allows the WCB to track administrative expenditures and make comparisons with other jurisdictions across the country.

Performance highlights

In 2003, the WCB's administration costs were $ 0.37 per $100 of assessable payroll, down from $ 0.40 in 2002. The result was better than the WCB's target for the year, and is in line with other Canadian jurisdictions that administer comparable-sized workers' compensation systems (see Appendix A for more information). The year 2003 saw a general, across-the-board reduction in administration costs for all divisions and departments, except the new Review Division, which received additional funds for start up, and the Special Investigation Branch, which received additional funds for increasing staff levels.

Major programs and strategies

In late 2002 and early 2003, the WCB restructured its operations in response to declining numbers of new claims, lower investment income, and increased claim costs, as well as a provincial government-initiated review. The changes were aimed at refocusing the WCB on core services and reducing administration costs, while continuing to provide a high level of service to workers and employers. Through the restructuring process, the WCB reduced overall administration costs by approximately 7.1 percent in 2003.

Looking ahead

The WCB is committed to administering the workers' compensation system in a fiscally responsible manner while maintaining and building upon the services that it provides. In 2004, the WCB will continue to identify areas for improved cost-effectiveness in order to reduce administration costs to $0.36 per $100 of assessable payroll. By 2006, the WCB is aiming to reduce administration costs to $0.35 per $100 of assessable payroll. It is, nonetheless, important to be aware that too great a reduction could result in decreased service to stakeholders. Having too few staff to adjudicate claims, for example, can delay decision making, prolong claim duration, and impair rehabilitation and return to work of injured workers. The Board of Directors and Senior Executive Committee will therefore continue to monitor and evaluate the balance between administration costs and service quality, and will work to fine-tune the balance in order to best meet the needs of stakeholders and protect the public interest.

[1] In accordance with the standard AWCBC method of calculation, the WCB does not include administration costs associated with prevention, treasury investments, legal and recoveries, third-party recoveries, grants and awards, appeals, workers' and employers' advisers, sessional doctors, external purchased services, and costs related to self-insured employers. The WCB also excludes non-recurring one-time costs, such as the implementation cost of the legislative changes from 2003, in order to keep results comparable with previous years. The largest material cost of these items is prevention costs, which were $0.07 per $100 of assessable payroll in 2003.

Key objective/performance indicator #11

Improve decision making throughout the WCB, ensuring consistency with the legislation*

Level of Review/ Appeal	2003 Target	2003 Result	2004 Target	2005 Target	2006 Target
Review Division:	Establish baseline	7.9%[1]	7.0%	6.0%	5.0%
Workers' Compensation Appeal Tribunal:	Establish baseline	2.2%[2]	Less than 3.5%	Less than 2.5%	Less than 2.0%

**Proportion of issues leading to overturned decisions at the review or appeal level due to WCB error in law or policy*[3]

Importance

WCB employees administer law and policy by making thousands of decisions on compensation, prevention, assessment, and rehabilitation matters every working day. Although the vast majority of these decisions are accepted without issue, workers and employers have the right to appeal decisions if they disagree with the WCB's findings. There are two levels of appeal for most decisions made by the WCB. The first level is an internal review by the WCB's Review Division. The second level is an external review by an independent body known as the Workers' Compensation Appeal Tribunal (WCAT). The WCB tracks the number of issues at each level that lead to overturned decisions due to error in the WCB's application of law or policy.[4] This error rate is a key indicator of the WCB's overall decision-making quality, which is an integral part of the WCB's customer service performance and public accountability.

Performance highlights

On March 3, 2003, new legislation came into effect that changed the workers' compensation appeal structure and created the Review Division and the WCAT. Between March 3, 2003, and December 31, 2003, the Review Division reviewed a total of 5,332 issues, relating to 4,082 WCB decisions. Four hundred and twenty-one of those issues (7.9 percent) led to overturned decisions due to an error in the WCB's application of law or policy. The WCAT ruled on 89 issues and two of those issues (2.2 percent) led to overturned decisions due to error in law or policy.

Because the decision overturn rate due to error in law or policy is a new performance indicator, there is no comparable performance data from previous years.

Major programs and strategies

The WCB strives to ensure that all decisions made under the *Workers Compensation Act* are consistent with legislation, regulation, and policy. This is achieved through internal training programs aimed at educating WCB decision-makers about applicable law and policy, and coaching employees at all levels of the organization in the principles and practice of consistent, quality decision making.

In recent years, the WCB has instituted a claims management oversight process in each WCB service delivery location to improve the quality of decision

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[1] [2] Formal baselines are not yet established; therefore, all targets are considered preliminary.

[3] For each reviewed or appealed decision, there may be a number of issues considered.

[4] In the 2003-2005 Service Plan, this measure also included decisions that were overturned due to factual errors. Now that the measure has been refined, factual errors are not included in the calculation.

making and adjudication of claims through training and supervision. Senior managers in each location are now responsible for the quantity and quality of work, including adherence to published claim management standards, policies, and applicable legislation. It's an evolving process, but as part of their oversight duties, these managers have begun working with staff to find new ways of ensuring that decisions made at various stages of the claims process are correct, that similar facts produce similar decisions, and that all decisions are adequately considered and documented.

To further improve the quality of decision making at the WCB, the Review Division has developed and begun implementing a Quality Management (QM) Framework. The framework is essentially a formal, multi-faceted approach for delivering consistent, high-quality service and decision making within the Review Division (including the establishment of performance monitoring, internal controls, and benchmarking). As part of the QM Framework, there will be a high level of collaboration and communication between the Review Division and other operating divisions at the WCB. This will help the WCB identify and address areas for improved decision making across the organization, including opportunities for reducing errors in the application of law and policy.

Looking ahead

The overturn results from the Review Division's first year of decision making (April 2003 – March 2004) will form an official baseline measure, allowing the WCB to set formal targets for future years. In the meantime, the WCB has tentatively set a target overturn rate of 7 percent in 2004, 6 percent in 2005, and 5 percent or less by 2006. A formal baseline at the WCAT level will be established in August 2004, which will mark the first year of completed appeals of Review Division decisions. Although formal targets aren't yet in place, the WCB is tentatively aiming to keep the overturn rate below 3.5 percent in 2004, below 2.5 percent in 2005, and below 2 percent by 2006. It is believed that the quality of decision making will improve and the overturn rate due to law and policy errors will decrease over the coming year as staff further adjust to the legislative and policy changes that were implemented in 2002 and 2003.

Financials

Management Commentary on the 2003 Financial Statements

Summary of financial results

$ in millions	2003	2002	Increase (decrease) operating result
Normal operations			
Income	$ 1,573	$ 1,344	$ 229
Expenses	(1,487)	(1,748)	261
Surplus (deficit) – normal operations	86	(404)	490
Non-recurring items			
Provision for market value impairment of portfolio	-	(549)	549
Restructuring costs	-	(28)	28
Legislative changes – implementation costs	(7)	(4)	(3)
Effect of legislative changes	76	553	(477)
Mortality improvement adjustment	-	(139)	139
Surplus (deficit) – non-recurring items	69	(167)	236
Total operating surplus (deficit)	$ 155	$ (571)	$ 726
Fund Balance			Increase (decrease) in fund balance
At January 1	$ (407)	$ 134	$ (541)
Operating surplus (deficit)	155	(571)	726
Cancellation of research reserve	-	30	(30)
At December 31	$ (252)	$ (407)	$ 155

In 2003, the WCB recorded an operating surplus of $155 million, an improvement of $726 million over 2002.

The WCB's core operations recorded a surplus of $86 million in 2003 compared to a deficiency of $404 million in 2002.

Operating income increased $229 million to $1,573 million as investment income increased $171 million, mainly as a result of improved market returns.

Operating expenses decreased $261 million to reflect lower claim costs across all categories. The most significant decreases in claim costs were in the short-term disability ($54 million), health care ($67 million), and vocational rehabilitation ($96 million) categories due variously to a lower injury rate, lower costs, and reduced actuarial liabilities, the result of overall improvement in actuarial claim cost experience.

Non-recurring items relating to the impact of legislative amendments increased the operating surplus by $69 million in 2003. Legislation enacted by government in 2002 to change indexation of benefits from full indexation to consumer price index (CPI) minus 1 percent was extended to apply to survivor benefits in 2003. This change, along with other changes to survivor benefit levels, resulted in lower valuation of future benefit liabilities and provided a one-time $76 million cost reduction.

The operating surplus of $155 million in 2003 reduced an opening unfunded liability of $407 million to an unfunded liability of $252 million at December 31, 2003. Total reserves at the end of 2003 were $260 million. Total assets at the end of 2003 were $8,480 million and total liabilities were $8,473 million, translating to a funded status of 100 percent.

Revenues

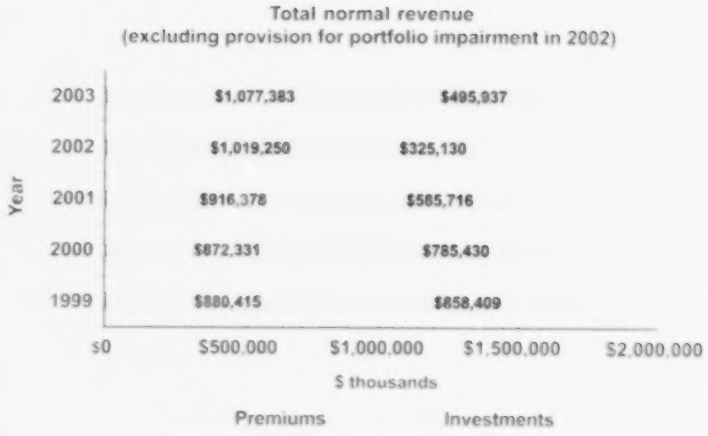
Core operating revenues increased 17 percent from $1,344 million in 2002 to $1,573 million in 2003.

In 2003, total employer premiums increased $58 million or 5.7 percent to $1,077 million as employers, whose rates have been transitioning over three years to higher levels due to the rate group restructuring in 2000, paid

rates closer to their target rates. In addition, assessable payroll of employers increased 2.0 percent as the British Columbia economy (GDP) moved ahead 3.8 percent during the year. The average premium rate charged to employers increased 2.1 percent to $1.92 in 2003.

Income from investments during the year was $496 million compared to $325 million in 2002 (this figure excludes the $549 million provision for market value impairment), as equity markets rebounded robustly after three years of decline. Earned investment income, primarily interest and dividend income during the year, was $276 million compared to $294 million in 2002. Income representing the amortization of deferred investment gains was $220 million compared to only $31 million last year.

Income from investments provides funds to meet the cost of CPI on benefit liabilities plus the cost of the discount rate used in setting premiums. In 2003, the return on investment was 6.4 percent, sufficient to meet the required return of 5.1 percent.

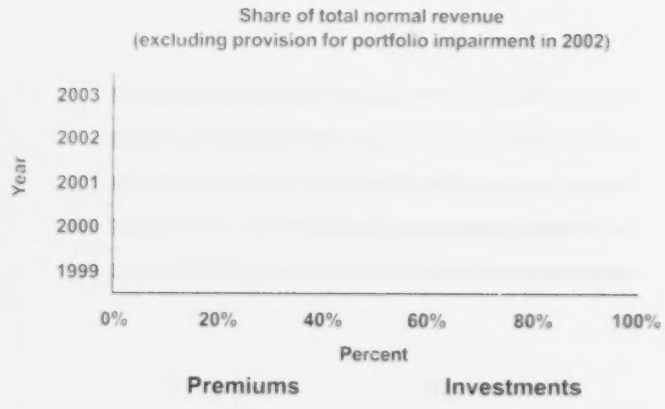


Expenses

The volume of new time-loss claims declined 3.9 percent as the injury rate dropped to 3.0 claims per 100 person-years in 2003 (3.2 in 2002).

Core claim costs decreased $260 million or 16.0 percent compared to 2002.

Lower new claim volumes was a key improvement as current year claim costs declined by 9.9 percent or $93 million to $841 million. CPI indexing, however, generated costs of $391 million for a net decrease of $116 million as the Canadian CPI decreased from 3.2 percent in 2002 to 1.6 percent in 2003. The cost of claims resulting from actuarial adjustments for prior period claims to reflect the impact of recent award experience decreased by $52 million or 28.2 percent to $131 million in 2003.



In accordance with generally accepted accounting treatment in the workers' compensation industry, actuarial valuation of unfinalled liabilities is based on smoothed average experience (generally five years). Hence, the costs recorded in any given year do not reflect the experience of that year alone. This five-year smoothing of benefit liabilities ameliorates the effects of more recent changes in claims experience. The recent years of rising cost trends appear to have stabilized in 2002 and 2003, and if this trend continues, adjustments in future years for prior period claims may be more benign.

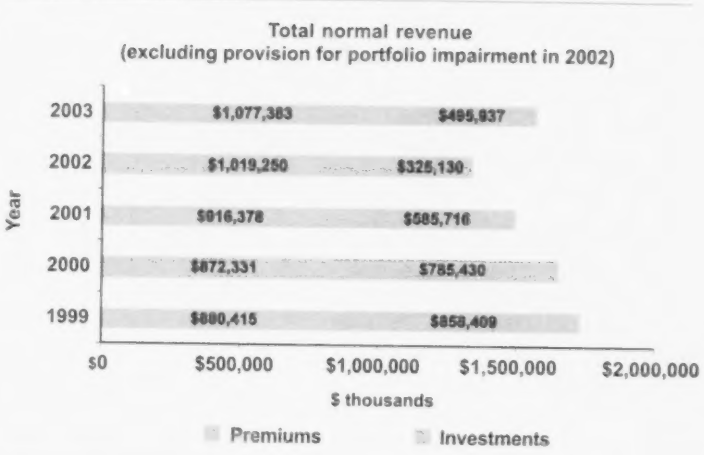
In 2002, legislative changes were made to benefit entitlements in order to align more closely to other Canadian provinces. However, transition provisions apply the new legislation primarily to new claims from June 2002 forward. This means it may be some time before an appreciable impact on future costs is felt, as many claims that originated prior to June 2002 will continue to be dealt with under the previous legislation.

Total gross administration expenses (see Note 9 to financial statements) in 2003 decreased $23 million or 7.1 percent to $296 million. However, included in the 2002 administration costs was a one-time charge of $28 million for restructuring costs. Furthermore, legislative implementation and appeals integration costs of $4 million and $7 million were incurred in 2002 and 2003, respectively. Excluding these charges, administration costs in 2003 increased by only $2 million or 0.7 percent.

rates closer to their target rates. In addition, assessable payroll of employers increased 2.0 percent as the British Columbia economy (GDP) moved ahead 3.8 percent during the year. The average premium rate charged to employers increased 2.1 percent to $1.92 in 2003.

Income from investments during the year was $496 million compared to $325 million in 2002 (this figure excludes the $549 million provision for market value impairment), as equity markets rebounded robustly after three years of decline. Earned investment income, primarily interest and dividend income during the year, was $276 million compared to $294 million in 2002. Income representing the amortization of deferred investment gains was $220 million compared to only $31 million last year.

Income from investments provides funds to meet the cost of CPI on benefit liabilities plus the cost of the discount rate used in setting premiums. In 2003, the return on investment was 6.4 percent, sufficient to meet the required return of 5.1 percent.



Expenses

The volume of new time-loss claims declined 3.9 percent as the injury rate dropped to 3.0 claims per 100 person-years in 2003 (3.2 in 2002).

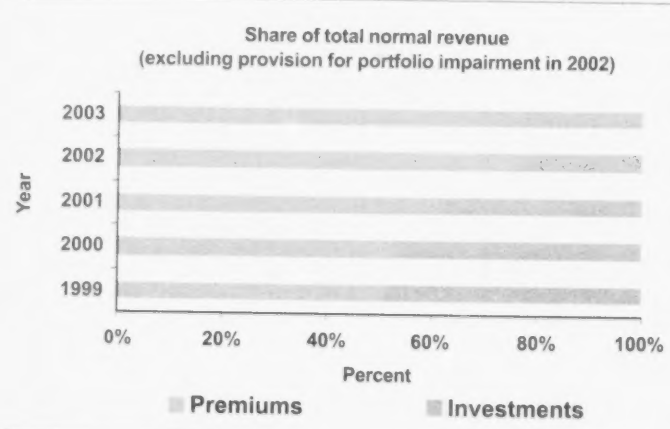
Core claim costs decreased $260 million or 16.0 percent compared to 2002.

Lower new claim volumes was a key improvement as current year claim costs declined by 9.9 percent or $93 million to $841 million. CPI indexing, however, generated costs of $391 million for a net decrease of $116 million as the Canadian CPI decreased from 3.2 percent in 2002 to 1.6 percent in 2003. The cost of claims resulting from actuarial adjustments for prior period claims to reflect the impact of recent award experience decreased by $52 million or 28.2 percent to $131 million in 2003.

In accordance with generally accepted accounting treatment in the workers' compensation industry, actuarial valuation of unfinalled liabilities is based on smoothed average experience (generally five years). Hence, the costs recorded in any given year do not reflect the experience of that year alone. This five-year smoothing of benefit liabilities ameliorates the effects of more recent changes in claims experience. The recent years of rising cost trends appear to have stabilized in 2002 and 2003, and if this trend continues, adjustments in future years for prior period claims may be more benign.

In 2002, legislative changes were made to benefit entitlements in order to align more closely to other Canadian provinces. However, transition provisions apply the new legislation primarily to new claims from June 2002 forward. This means it may be some time before an appreciable impact on future costs is felt, as many claims that originated prior to June 2002 will continue to be dealt with under the previous legislation.

Total gross administration expenses (see Note 9 to financial statements) in 2003 decreased $23 million or 7.1 percent to $296 million. However, included in the 2002 administration costs was a one-time charge of $28 million for restructuring costs. Furthermore, legislative implementation and appeals integration costs of $4 million and $7 million were incurred in 2002 and 2003, respectively. Excluding these charges, administration costs in 2003 increased by only $2 million or 0.7 percent.



The downsizing that occurred in 2003 produced direct payroll savings of $12 million. Offsetting these savings were higher employee pension costs ($8 million) that resulted from actuarial adjustments to plan valuation to reflect investment losses since the last actuarial valuation in March 2000. Costs not controlled by the WCB but, by virtue of legislated requirement reimbursed to the government to fund the workers' compensation appeal structure and the employers' and workers' advisers, increased $5 million.

Gain and loss analysis

The following gain and loss analysis isolates the major components contributing to the operating results in 2003 and 2002. Also shown are the aggregate gain and loss elements for the last five years, which provide a broader perspective of the WCB's recent financial results.

a) Premium coverage improved in 2003 compared to 2002. A major contributor to this improvement was an increase of $113 million in the excess of the assessment provision for current year injuries over the actual cost of 2003 injuries. Another major $72 million improvement arose from an increase in the assessment amortization provision in the 2003 rates to cover rate group deficits. In 2003, premium adjustments also included $73 million in pre-2000 subclass surplus abatement and interest, which will largely continue into 2004 and then substantially reduce in 2005.

b) Investment income rebounded in 2003 to $101 million in excess of actuarial requirements following a deficiency of $757 in 2002 (including a $543 million provision for equity market value impairment allocated to rateable classes). The 2003 gain was generated as a result of a market value return of 13.4 percent, which resulted in a deferred investment gain of $467 million compared to a deferred investment loss of $25 million in 2002.

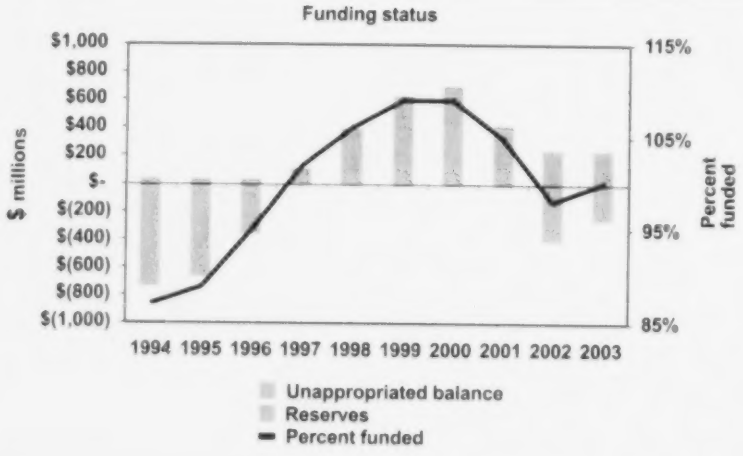
c) Actuarial liabilities for prior years' claims were revised upward in 2003, although to a lesser extent than was done in 2002. This is a reflection of the fact that cost trends appear to be levelling off in 2003 for most benefits other than long-term disability awards.

d) In 2003, legislative changes resulted in a $73 million downward revision of survivors' benefits actuarial liabilities. This reduction arose primarily from amending the inflation adjustments applied to survivors' pensions from semi-annual to annual at a rate equal to CPI minus 1 percent to a maximum of 4 percent (the same formula used for short-term disability, long-term disability, and vocational rehabilitation). Other survivors' benefit legislative changes included a change in the offset for CPP survivors' benefits from 100 percent to 50 percent and a change in the spousal benefit formula to include pensions for childless spouses, which served to dampen the reduction.

$ millions	2003	2002	Increase (decrease)	5-Year Increase (decrease) - 1999 to 2003
a) Premium revenue excess (deficiency) over current year costs	$ 93	$ (90)	$ 183	$ (740)
b) Investment income greater (less) than liability requirements	101	(757)	858	335
c) (Higher) actuarial liabilities than previously anticipated	(112)	(124)	12	(634)
d) Extraordinary adjustments to revalue liabilities	73	400	(327)	646
Excess/(deficiency)	$ 155	$ (571)	$ 726	$ (393)

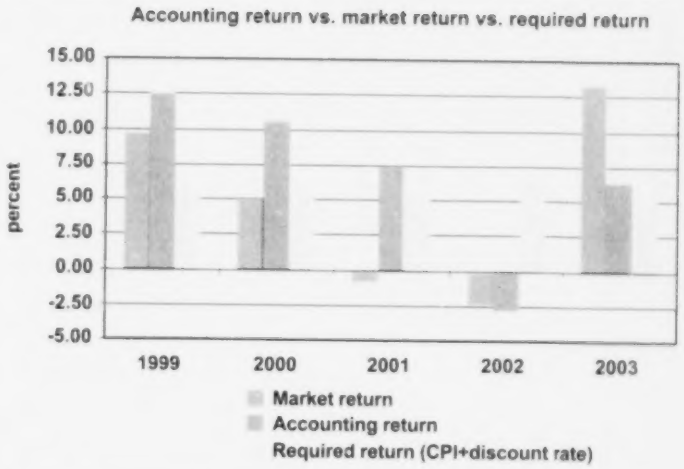
Funding status

At the end of 2003, the WCB's unfunded liability was $252 million and reserves were $260 million. The WCB's funding level was 97 percent excluding reserves (95 percent in 2002) and 100 percent including reserves (98 percent in 2002).



Portfolio of investments – $7,880 million ($7,500 million in 2002)

Compensation benefits are, by legislation, indexed to CPI minus 1 percent (fully indexed prior to January 1, 2002) and fully funded by employers. Full funding means that premiums collected are to be invested to provide cash flow to cover all future principal and inflation payments plus a risk premium over and above CPI. As a result, the WCB's liabilities are determined by discounting estimated future payments at a real discount rate of 3.5 percent. Implicit in this discount rate is that the monies collected will earn income at a rate of 3.5 percent above CPI. The WCB's portfolio of investments provides reasonable assurance that, in the long term, the portfolio returns will return a 3.5 percent real return. However, market volatility such as that experienced in 2000, 2001, and 2002 has short-term impact on investment performance. During the five years ending December 31, 2003, the WCB's portfolio of investments has produced an average annual compound rate of return of 6.7 percent, meaning that $100 invested at the beginning of 1999 had grown to $138 by the end of 2003.



The WCB maintains a relatively conservative and widely diversified investment portfolio that is constructed to provide stable cash flows from interest and dividends to ensure a reliable cash flow stream to service benefit liabilities. In addition and in accordance with generally accepted accounting treatment in the workers' compensation industry, realized and unrealized portfolio gains and losses are deferred and amortized to income over five years. This accounting treatment has provided a smoothing effect on income but (as shown in the above chart) by its nature it also delays and understates the impact of declining market returns. The opposite is true in periods of increasing market returns. Disclosure of the status and future amortization schedule of deferred gains and losses is found in Note 5 to the financial statements.

The leverage effect of reported investment income is significant as each 1 percent variation from expected return is equivalent to approximately $80 million or approximately 5 percent of total operating revenues.

Financial leverage and risk

The WCB's financial performance is highly sensitive to the two dominant components of its balance sheet – the portfolio of investments and the benefit liabilities – both of which are in the $8 billion range. Small fluctuations from expected performance of either of these two dominant components have a significant impact on operating results.

Emerging issue

Canadian accounting standards are likely to dictate a change in the portfolio valuation method used by the workers' compensation industry. Whereas current GAAP for the industry prescribes full recognition of earned income (dividends and interest) in the year that they are earned while unearned income (capital gains and losses) are deferred and amortized over five years, future GAAP will likely be changed to require immediate recognition of all income (earned and capital gains and losses). This change in accounting is likely to be effective for 2004 and will introduce significant volatility in annual reported operating results as well as funding levels, with potential volatile impact on premium rates. The workers' compensation industry is currently working on proposals to deal with this emerging issue. While recognizing and supporting Canadian accounting standards being moved towards harmonization with international accounting standards, policies must be created whereby financial market volatility (both gains and losses) does not create unnecessarily large swings in employer premium rates.

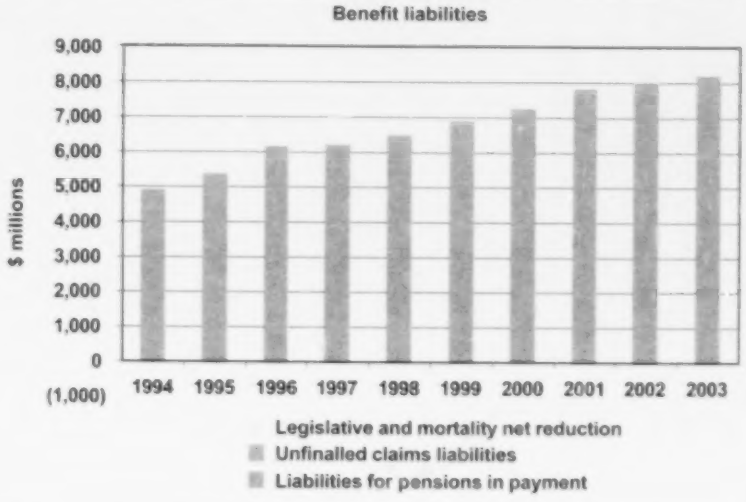
Benefit liabilities — $8,270 million ($8,029 million in 2002)

Benefit liabilities are made up of known liabilities for established benefits (pensions) and estimated future liabilities (unfinalled claim liabilities). The following chart illustrates the growth of these two categories and forms the basis for an explanatory discussion.

Benefit liabilities quantify the outcome of many factors: volume and severity of injuries, return-to-work rate, propensity to award permanent disability benefits, and the rate of appeals received and upheld.

The chart below shows a fairly modest 3.0 percent increase in benefit liabilities between 2002 and 2003. This compares to an average compound annual growth rate of 5.8 percent over the past decade, indicating a recent moderation in claim cost trends.

The chart also shows that there were legislative and extraordinary reductions in the liability of $415 million in 2002 and $76 million in 2003. Without



the $76 million reduction in 2003, the 2003 liability would be 3.9 percent higher than in 2002.

Although total liabilities have grown at an average 5.8 percent annual rate over the past decade, the growth rate for the unfinalled claims liability component has been higher at 6.4 percent, whereas the liabilities for pensions in payment rate is lower at 5.1 percent. The primary reason for the higher increase in unfinalled liabilities is a disproportionate increase in loss-of-earnings awards for old claims that are either readjudicated or appealed and awards substituted for previous awards.

The WCB's unfinalled claim costs are, therefore, subject to risk in terms of the likelihood of appeals and subsequent resolution of those appeals. New legislation effective March 3, 2003 phased out the three existing appeal bodies (Review Board, Appeal Division, and Medical Review Panel) and established two new bodies – the Workers' Compensation Appeal Tribunal (WCAT) external to the WCB and the Review Division internal to the WCB.

At the end of 2003, there were 15,699 appeals pending resolution at WCAT (2002 – 20,117 appeals at the Review Board) and 4,700 reviews at the Review Division (2002 – 1,265 appeals in the Appeal Division). To the extent that the benefit liabilities are actuarially based on experience, the WCB's financial statements present fairly its financial condition at balance sheet date. However, to the extent that the appeals pending are resolved in a significantly dissimilar pattern to recent experience, risk exists that the WCB's benefit liabilities will require adjustment in the future.

Responsibility for Financial Reporting

Management of the Workers' Compensation Board is responsible for the preparation of the accompanying financial statements in accordance with Canadian generally accepted accounting principles. These financial statements include some amounts based upon management's best estimates and judgments. Any financial information contained elsewhere in the annual report conforms to these financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The Internal Audit Department performs audits designed to test the adequacy and consistency of the WCB's internal controls, practices, and procedures.

The Auditor General of British Columbia, the external auditor of the Workers' Compensation Board, has performed an independent audit of the financial statements of the WCB in accordance with Canadian generally accepted auditing standards. The Auditor's Report outlines the scope of this independent audit and his opinion on the financial statements of the WCB.

The firm of Eckler Partners Ltd. has been appointed as the independent consulting actuaries to the WCB. Their opinion on the adequacy and appropriateness of the valuation of the WCB's benefit liabilities is presented as a part of these financial statements.

David Anderson
President and Chief Executive Officer

Sidney O. Fattedad, FCGA
Chief Financial Officer

March 12, 2004

Report of the Auditor General of British Columbia

To the Board of Directors of the Workers' Compensation Board, and

To the Minister of Skills Development and Labour, Province of British Columbia:

I have audited the balance sheet of the *Workers' Compensation Board* as at December 31, 2003 and the statements of operations and unappropriated balance and cash flows for the year then ended. These financial statements are the responsibility of the Workers' Compensation Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Workers' Compensation Board* as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

Wayne Strelioff, FCA
Auditor General

Victoria, British Columbia
March 12, 2004

Balance Sheet
As at December 31, 2003 ($ thousands)

Exhibit 1

	2003	2002
Assets		
Receivables (Note 4)	458,703	427,728
Portfolio investments (Note 5)	7,879,525	7,499,966
Property, plant, and equipment (Note 6)	142,180	150,906
	8,480,408	**8,078,600**
Liabilities, reserves, and unappropriated balance		
Payables and accruals	202,895	195,854
Benefit liabilities (Notes 7 and 15)	8,269,650	8,029,458
Total liabilities	8,472,545	8,225,312
Reserves (Note 10)	260,000	260,000
(Unfunded liability) (Exhibit 2)	(252,137)	(406,712)
	8,480,408	**8,078,600**

The accompanying notes are an integral part of the financial statements.

David Anderson
President and Chief Executive Officer

Sidney O. Fattedad, FCGA
Chief Financial Officer

Statement of Operations and Unappropriated Balance
For the Year Ended December 31, 2003 ($ thousands)

Exhibit 2

	2003	2002
Income		
Premiums (Note 11)		
Rateable employers	1,019,185	945,882
Self-insured employers	52,140	68,927
Levy for injury reduction initiatives	6,058	4,441
	1,077,383	**1,019,250**
Investments (Note 5)		
Earned income	276,265	294,421
Amortization of investment gains	219,672	30,709
Provision for market value impairment of equity portfolio	-	(548,928)
	495,937	**(223,798)**
Total income	**1,573,320**	**795,452**
Expenses		
Claim costs (Notes 7 and 8)		
Short-term disability	199,508	253,019
Long-term disability	691,555	738,273
Survivor benefits	76,370	85,885
Health care	170,345	237,623
Vocational rehabilitation	34,492	130,490
Claim administration	191,662	178,985
Legislative changes	(75,546)	(553,271)
Mortality assumption changes	-	138,597
	1,288,386	**1,209,601**
Operating costs (Note 9)		
Administration costs	254,077	252,827
Amortization of property, plant, and equipment (Note 6)	28,259	29,150
Funding for injury-reduction initiatives	6,058	4,441
	288,394	286,418
Restructuring costs	-	28,224
Legislative changes implementation costs	7,469	3,910
	295,863	318,552
Less: Claim administration costs (Notes 7 and 8)	165,504	161,825
	130,359	**156,727**
Total expenses	**1,418,745**	**1,366,328**
Surplus/(deficit) from operations	**154,575**	**(570,876)**
(Unfunded liability)/unappropriated balance – January 1	(406,712)	134,164
Transfer from Research Reserve	-	30,000
(Unfunded liability) – December 31 (Exhibit 1)	**(252,137)**	**(406,712)**

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows
For the Year Ended December 31, 2003 ($ thousands)

Exhibit 3

	2003	2002
Cash flow from operating activities:		
Cash received from:		
Employers	1,044,239	986,640
Dividends and interest	255,224	261,468
	1,299,463	1,248,108
Cash paid to:		
Claimants or third parties on behalf of claimants	882,691	888,607
Employees and vendors for goods and services	259,064	256,150
	1,141,755	1,144,757
Cash from operating activities	157,708	103,351
Cash flow from investing activities:		
Net sale of fixed-term investments	119,910	54,606
Net (purchase) of equity investments	(380,072)	(142,322)
Net sale of derivative financial instruments	119,303	145
Net (purchase) of property, plant, and equipment	(18,882)	(17,240)
Cash (used in) investing activities	(159,741)	(104,811)
Net (decrease) in cash and cash equivalents	(2,033)	(1,460)
Cash and cash equivalents – January 1	(17,353)	(15,893)
Cash and cash equivalents – December 31	**(19,386)**	**(17,353)**

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements
For the Year Ended December 31, 2003

Note 1 — Nature of Operations

The Workers' Compensation Board (WCB) administers the *Workers Compensation Act* (the Act), enacted by the British Columbia Legislature in 1917. The Act was amended by the *Workers Compensation Amendment Act* (Bill 49 and Bill 63), and by the *Skills Development and Labour Statutes Amendment Act* (Bill 37). Notes 3 and 7 describe the effects of this legislative amendment on the financial results of the WCB.

The primary functions of the WCB under the Act are promotion of occupational health and safety; compensation for occupational injury, death, or disease; rehabilitation of injured workers; collection of the funds necessary for its operations from employers covered under the Act; and management of portfolio investments in compliance with the *Financial Administration Act*.

Premium rates are established at a level to recover from established classes of employers' current and future costs for claims and operations arising from current claims, subject to a capping policy to moderate excessive changes in rates from year to year. The WCB may also levy a special premium when it is considered appropriate.

The WCB does not receive government funding or other assistance. The funding strategy of the WCB is to be fully funded, with any balances in the unfunded liability or unappropriated balance to be amortized on a five-year averaging basis, through adjustments to future assessment rates.

Note 2 — Significant Accounting Policies

(a) Portfolio Investments

Fixed-term investments, having terms greater than one year, consisting primarily of bonds of the Government of Canada, various provinces, and Crown corporations, as well as fixed-term mortgages and global bonds, are stated at amortized cost. Gains and losses realized on disposal of fixed-term investments are deferred and amortized on a straight-line basis over a five-year period.

Fixed-term investments, having terms less than or equal to one year and consisting primarily of treasury bills and other money market instruments, are stated at amortized cost. Gains and losses realized on disposal of these investments are recognized in the year of disposition.

Equity and real estate investments are stated at fair value. The amount by which fair value differs from cost represents an unrealized gain or loss. Unrealized gains and losses occurring during the year, together with gains and losses realized on disposal of equities and real estate investments during the year, are deferred and amortized on a straight-line basis over a five-year period.

Derivative financial instruments, which are financial contracts whose values change in response to changes in the values of the underlying securities, reference rates, or indices, include forward foreign exchange contracts and currency overlay pooled funds. Derivative financial instruments are stated at fair value. Derivative gains and losses, both realized and unrealized, are deferred and amortized on a straight-line basis over a five-year period.

Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The foreign currency exchange gains and losses for these investments are recorded in the same manner as other investment gains and losses.

The fair value of investments is market value. The market value of publicly traded investments is based on quoted prices while that of privately held debt, equity, and real estate investments is based on discounted cash flow or independent appraisals. The market value of forward foreign exchange contracts is determined by the net unrealized gains or losses, as well as premiums paid or received. The WCB regularly assesses the carrying value of its investment portfolios against market value. When it is deemed that an investment portfolio has suffered a loss in value that is other than a temporary decline, then a provision for market value impairment is included in investment income to adjust the carrying value of the portfolio to its estimated realizable value.

Note 2 — continued

(b) Property, Plant, and Equipment

Property, plant, and equipment are reported at cost and are depreciated on a straight-line basis over their estimated useful lives.

The rates used are as follows:

Buildings	20 to 40 years
Equipment	3 to 10 years
Furniture	10 years
Vehicles	5 years
Operating systems	7 years

Operating systems represent the direct costs incurred in developing new systems that are deferred and amortized on a straight-line basis from the date of implementation.

(c) Benefit Liabilities

The WCB determines its liabilities at the end of each year for all injuries that have taken place to that time.

The WCB appoints a consulting actuary who examines the benefit liabilities and the underlying assumptions and methods, and issues a report thereon to the WCB. The opinion of the consulting actuary is appended to these financial statements.

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims that occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies, and/or administrative practices in respect of existing claims.

They consist of capitalized values for pension awards already made, plus a provision for unfinalled claims (i.e., for future payments on claims that have not been finalized to date). The benefit liabilities have been discounted to present value, using an underlying real interest rate of 3.5 percent, adjusted to 4.5 percent for those benefits that were affected by 2002 and 2003 legislative changes and inflation adjustments. Benefit liabilities include the estimated future expense of administering existing claims.

As in prior years, the benefit liabilities make no provision for future claims related to long-latency occupational diseases, because the determination of such claims cannot be reasonably estimated. However, a $200 million reserve was established in prior years to mitigate future claims relating to such diseases.

(d) Reserves

The $40 million Accident Fund Special Reserves established pursuant to Section 39 of the *Workers Compensation Act* are:

- Contingent Reserve [Section 39(1)(b)], which provides a reserve in aid of industries or classes which may become depleted or extinguished.
- Disaster Reserve [Section 39(1)(d)], which provides a reserve to meet the loss arising from a disaster or other circumstances that the WCB considers unfair burdens to the employers in a particular class.
- Enhancement Reserve [Section 39(1)(e)], which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition, or disability.

Claims deemed by the WCB to be covered by these reserves are charged to current operations but are pro-rated to the various employer classes rather than being charged directly to any specific class.

The WCB established a $200 million Latent Occupational Disease Reserve relating to certain occupational diseases that may have occurred in the current or prior years but may not be reported or recognized for a number of years due to the extended latency periods of such diseases. A $20 million Earthquake Disaster Reserve was also established to provide for claims from workers that may be injured in their course of employment during an earthquake disaster.

(e) Premium Income and Accrued Premiums Receivable

As a significant portion of premium income for the year is not received until after the year-end, the amount shown is an estimate based on statistical data. The difference between the estimate and the actual income received is credited or charged to income in the following year. Historically, the difference has not been material.

Note 2 — continued

(f) Self-insured Employers

Certain employers are self-insured. These employers are billed on a monthly basis for payments of short-term disability, health care, vocational rehabilitation, and for the capitalized values of long-term disability and survivor benefits, together with their proportionate share of administrative costs.

The receivable in Note 4 represents a provision for future claim costs of self-insured classes, for which the final settlement has not been determined; it also includes unpaid current billings.

The WCB also acts as the agent of the Government of Canada for the payment of compensation to federal employees in British Columbia. Amounts paid are recovered from the Government of Canada on a monthly basis.

(g) Use of Accounting Estimates

In accordance with Canadian generally accepted accounting principles, the WCB's financial statements include the WCB management's best estimates of the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses during the reporting periods presented. Actual results may differ from management's estimates by significant amounts. Claim benefit liabilities and accrued premiums are the most significant items which reflect estimates in these financial statements.

Note 3 — Legislative and Actuarial Assumption Changes

A number of legislative amendments were passed in 2002 and 2003, which amended the *Workers Compensation Act*. These amendments include Bill 49 and Bill 63, the *Workers Compensation Amendment Act*, and Bill 37, the *Skills Development and Labour Statutes Amendment Act*. These amendments introduced a number of changes to workers' compensation benefits and established a new model for governance effective June 30, 2002; established a new review function and new external appeal tribunal called the Workers' Compensation Appeal Tribunal (WCAT) effective March 3, 2003; and amended how survivors' benefits are calculated effective December 31, 2003. Specific amendments include a revised method of calculating inflation adjustments and reduction in the offset for Canada Pension Plan disability benefits from 100 percent to 50 percent for both long-term disability and survivors' benefits. These changes resulted in a lower valuation of future benefit liabilities, mainly related to the inflation adjustment, resulting in a one-time decrease in claim costs of $76 million in 2003 and $553 million in 2002.

In 2002, the WCB also revised its mortality assumptions to reflect the continuing longer life spans of claimants. The last significant mortality adjustment was made in 1993. The effect of this change was to increase claim costs by $139 million in 2002.

Below is a summary of the impact on benefit liabilities and claim costs of Bill 37 in 2003 and Bill 49 and changes in mortality assumptions in 2002 (figures are in $ thousands):

	2003			2002		
	Legislative Amendments	**Mortality Adjustment**	**Total**	**Legislative Amendments**	**Mortality Adjustment**	**Total**
Short-term disability	-	-	-	5,506	-	5,506
Long-term disability	-	-	-	(574,410)	132,222	(442,188)
Survivor benefits	(75,546)	-	(75,546)	3,228	6,375	9,603
Health care	-	-	-	-	-	-
Vocational rehabilitation	-	-	-	12,405	-	12,405
Total	**(75,546)**	-	**(75,546)**	**(553,271)**	**138,597**	**(414,674)**

Note 4 – Receivables ($ thousands)

	2003	2002
Premiums	11,973	14,617
Accrued premiums	220,066	179,591
Self-insured employers – receivables	196,156	206,178
Premiums receivable	428,195	400,386
Self-insured employers – deposits	(15,527)	(15,527)
Accrued benefit asset (Note 13)	41,796	36,967
Other receivables	4,239	5,902
	458,703	**427,728**

Note 5 – Portfolio Investments ($ thousands)

	2003	2002
(a) Portfolio Investments		
Fixed-term investments, over one year, amortized cost		
Government of Canada and federal Crown corporations	769,167	933,537
Other Canadian provinces and agencies	505,657	677,086
Corporate bonds	505,462	442,505
Long bonds	421,937	464,193
Real return bonds	410,209	390,668
Global bonds	321,713	345,159
Fixed-term mortgages	156,289	146,448
(market value: 2003 – 3,182,780; 2002 – 3,480,902)	3,090,434	3,399,596
Fixed-term investments, under one year, amortized cost		
Canadian short-term investments	622,822	426,439
Global short-term investments	30,049	-
	652,871	426,439
Accrued interest	24,908	25,988
Equities, market value		
Canadian Index Fund	792,625	517,355
Active Canadian Equities	985,133	741,508
U.S. Index Fund	350,299	274,674
Active U.S. Equities	540,392	445,880
International Equities	1,147,670	1,078,034
	3,816,119	3,057,451

Note 5 — continued

	2003	2002
Real estate, market value	516,385	479,325
Foreign exchange forward contract	90,726	(9,464)
Private placement pool, market value	159,408	112,745
Currency overlay	15,473	-
Bank indebtedness	(19,386)	(17,353)
	8,346,938	7,474,727
Deferred investment (gains)/losses	(467,413)	574,167
Portfolio investment – carrying value	7,879,525	8,048,894
Provision for market value impairment of equity portfolio	-	(548,928)
	7,879,525	**7,499,966**

(b) Deferred Investment Losses/(Gains)

Balance – January 1	25,239	(29,187)
Realized net (gains) for the year	(93,391)	(99,777)
Unrealized net (gains)/losses for the year	(618,933)	672,422
	(687,085)	543,458
Amortization	219,672	30,709
	(467,413)	574,167
Provision for market value impairment of equity portfolio	-	(548,928)
Balance – December 31	**(467,413)**	**25,239**

(c) Investment Income

Earned for the year	276,265	294,421
Amortization of investment gains	219,672	30,709
Provision for market value impairment of equity portfolio	-	(548,928)
	495,937	**(223,798)**

(d) Amortization Schedule of Deferred Investment Losses/(Gains)

	2002	2003	2004	2005	2006	2007
Balance – January 1	(29,187)	25,239	(467,413)	(326,235)	(245,693)	(142,465)
Add:						
Current year's losses/(gains)	572,645	(712,324)	-	-	-	-
	543,458	(687,085)	(467,413)	(326,235)	(245,693)	(142,465)

Note 5 – continued

	2002	2003	2004	2005	2006	2007
Less:						
Amortization of beginning balance	145,238	77,207	(1,287)	(61,923)	(39,237)	-
Amortization of current year's realized gains	19,955	18,678	18,678	18,678	18,678	18,678
Amortization of current year's unrealized (losses)/gains	(134,484)	123,787	123,787	123,787	123,787	123,787
Total amortization credited to income	30,709	219,672	141,178	80,542	103,228	142,465
Balance before provision for market value impairment of equity portfolio – December 31	574,167	(467,413)	(326,235)	(245,693)	(142,465)	-
Provision for market value impairment of equity portfolio	(548,928)	-	-	-	-	-
Balance after provision for market value impairment of equity portfolio – December 31	**25,239**	**(467,413)**	**(326,235)**	**(245,693)**	**(142,465)**	**-**

The impact of the provision for market value impairment of equity portfolio on future investment income is shown in the table below:

	2002	2003	2004	2005	2006	2007
(Decrease)/increase to investment income	(548,928)	142,297	205,575	125,764	75,292	-

Investment Risk Management

The WCB currently invests directly in fixed-income instruments, and indirectly, through the use of pooled funds managed by the British Columbia Investment Management Corporation (bcIMC), in publicly traded equities, real estate, mortgages, and private placements. It also earns additional income by participating in securities lending arrangements, through bcIMC, whereby securities are loaned to and secured by borrowers and approved by the custodian, RBC Global Services. As of December 31, 2003, secured loans amounted to $343,488 (2002 – $144,457).

Credit Risk Management

Credit risk on financial instruments arises from the possibility that a counter-party to an instrument fails to meet its obligations. Therefore, government issuers of debt instruments must have a credit rating of at least BBB, and non-government issuers, as well as other counter-parties, must all have a credit rating of at least A in order to be eligible for consideration by the WCB as an investment. Policy guidelines have been established to ensure that the credit ratings of fixed-income instruments do not fall below predetermined levels.

Foreign Exchange Risk Management

The WCB has investments denominated in foreign currencies, which are exposed to currency risk. To mitigate this risk, the WCB entered into forward foreign exchange contracts, which represent commitments to exchange two currencies at a specified future date based on a rate agreed to by both parties at the inception of the contract, for the sole purpose of hedging foreign currency transactions. The notional amount of forward foreign exchange contracts, which is defined as the contractual amounts on which payments are made, amounted to $1,098,305 at December 31, 2003 (2002 – $1,356,736). Their related replacement value at December 31, 2003 was $90,726 [2002 – ($9,464)].

Interest Rate Risk Management

Fluctuations in interest rates can impact the market value of the fixed-income portfolio, as well as shift investor preferences among asset classes. Interest rate risk is minimized by managing the duration of the fixed-income portfolio within predetermined prudent policy limits. The remaining term to maturity of the WCB's outstanding fixed-term investments is summarized on the next page.

Note 5 — continued

	Remaining Term to Maturity					
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Total 2003	Total 2002
Government bonds[1]						
Carrying value	-	829,983	355,067	411,487	1,596,537	1,955,782
Fair value	-	844,989	365,186	429,556	1,639,731	2,029,352
Corporate bonds						
Carrying value	-	388,683	92,667	24,112	505,462	442,505
Fair value	-	398,664	96,184	25,900	520,748	461,727
Long bonds						
Carrying value	-	-	-	421,937	421,937	464,193
Fair value	-	-	-	391,122	391,122	427,362
Real return bonds						
Carrying value	-	-	-	410,209	410,209	390,668
Fair value	-	-	-	470,331	470,331	412,007
Fixed-term mortgages						
Carrying value	16,635	104,934	33,092	1,628	156,289	146,448
Fair value	16,538	108,299	34,371	1,640	160,848	150,454
Total						
Carrying value	16,635	1,323,600	480,826	1,269,373	3,090,434	3,399,596
Fair value	16,538	1,351,952	495,741	1,318,549	3,182,780	3,480,902

[1] Government bonds include globals and supra-nationals.

The average yield reflects the yield to maturity, which is the discount rate that makes the present value of future cash flows of each fixed-term investment equal to its carrying value. The average yield of these fixed-term investments, excluding real return bonds, as at December 31, 2003 is 4.8 percent (2002 – 5.2 percent).

Real Estate Risk Management

Risk in the real estate portfolio is managed through diversification across real estate types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across residential, commercial, industrial, and development markets.

Note 6 — Property, Plant, and Equipment ($ thousands)

	2003				2002
	Cost	Depreciation	Accumulated Depreciation	Net Book Value	Net Book Value
Land	7,314	-	-	7,314	7,314
Buildings	76,723	1,869	36,687	40,036	41,438
Furniture, equipment, and vehicles	85,467	6,187	69,902	15,565	17,577
Operating systems	144,775	20,203	65,510	79,265	84,577
	314,279	**28,259**	**172,099**	**142,180**	**150,906**

Note 7 — Benefit Liabilities ($ thousands)

	2003							2002
	Short-term Disability	Long-term Disability	Survivor Benefits	Health Care	Vocational Rehabili-tation	Claim Adminis-tration	Total	Total
Balance – January 1	396,951	4,950,052	827,386	1,061,851	340,462	452,756	8,029,458	7,870,287
Add claim costs:								
Current year's injuries	223,930	205,141	25,275	175,928	61,311	149,462	841,047	933,688
Prior years' injuries	(24,422)	486,414	51,095	(5,583)	(26,819)	42,200	522,885	690,587
Legislative and mortality assumption changes	-	-	(75,546)	-	-	-	(75,546)	(414,674)
	199,508	691,555	824	170,345	34,492	191,662	1,288,386	1,209,601
Less claim payments made:								
Current year's injuries	116,275	913	1,463	59,945	433	70,785	249,814	260,273
Prior years' injuries	112,948	356,551	58,144	116,342	59,676	94,719	798,380	790,157
	229,223	357,464	59,607	176,287	60,109	165,504	1,048,194	1,050,430
Balance – December 31	367,236	5,284,143	768,603	1,055,909	314,845	478,914	8,269,650	8,029,458
Represented by:								
Provision for unfinalled claims	367,236	2,375,061	57,117	1,055,909	314,845	478,914	4,649,082	4,688,340
Pension awards, capitalized values	-	2,909,082	787,032	-	-	-	3,696,114	3,755,792
Legislative and mortality assumption changes	-	-	(75,546)	-	-	-	(75,546)	(414,674)
	367,236	**5,284,143**	**768,603**	**1,055,909**	**314,845**	**478,914**	**8,269,650**	**8,029,458**

Note 7 — continued

The following is a reconciliation of the claim benefit liabilities ($ thousands):

	2003	2002
Balance at the beginning of year	8,029,458	7,870,287
Add:		
Provision for current year's injuries	591,233	673,415
Interest cost	391,414	507,445
Prior years' claim cost experience higher than expected	131,471	183,142
	1,114,118	1,364,002
Deduct:		
Payments for prior years' injuries	798,380	790,157
Changes to legislation and actuarial assumption	75,546	414,674
	873,926	1,204,831
Balance at end of year	**8,269,650**	**8,029,458**

Note 8 — Changes in Actuarial Valuations of Benefit Liabilities ($ thousands)

	2003			2002		
	Claim Costs	***Less:* Benefit Payments**	**Changes in Actuarial Valuations of Benefit Liabilities**	**Claim Costs**	***Less:* Benefit Payments**	**Changes in Actuarial Valuations of Benefit Liabilities**
Short-term disability	199,508	229,223	(29,715)	258,525	259,444	(919)
Long-term disability	691,555	357,464	334,091	296,085	312,282	(16,197)
Survivor benefits	824	59,607	(58,783)	95,488	57,782	37,706
Health care	170,345	176,287	(5,942)	237,623	179,827	57,796
Vocational rehabilitation	34,492	60,109	(25,617)	142,895	79,270	63,625
Balance before claim administration	1,096,724	882,690	214,034	1,030,616	888,605	142,011
Claim administration	191,662	165,504	26,158	178,985	161,825	17,160
	1,288,386	**1,048,194**	**240,192**	**1,209,601**	**1,050,430**	**159,171**

Note 9 — Operating Costs ($ thousands)

	2003						2002
	Prevention	Claimant Services	Employer Services	Corporate Services	WCAT, Appeals, Review Board, and Advisers[1]	Total	Total
Salaries and employee benefits	27,337	82,931	11,166	59,297	995	181,726	187,114
Amortization of property, plant, & equipment & PC leases	1,512	7,295	9,052	14,119	62	32,040	33,360
WCAT, Review Board, and advisers[1]	-	-	-	-	24,965	24,965	19,777
Office expenses and communication	1,080	3,592	1,009	11,536	12	17,229	18,626
Consulting fees	901	552	79	3,992	65	5,589	7,484
Sessional doctor fees	-	5,441	1	11	-	5,453	6,031
Building expenses	53	228	11	9,383	4	9,679	9,737
Travel and vehicle expenses	1,971	1,559	136	663	2	4,331	4,776
Injury reduction initiatives	5,934	100	24	-	-	6,058	4,441
Other administration expenses	1,804	8,550	491	21,055	1	31,901	26,616
Cost recoveries	(2,140)	(13,462)	(34)	(14,925)	(16)	(30,577)	(31,544)
	38,452	96,786	21,935	105,131	26,090	288,394	286,418
Restructuring costs	-	-	-	-	-	-	28,224
Legislative changes implementation costs	-	-	-	7,469	-	7,469	3,910
	38,452	96,786	21,935	112,600	26,090	295,863	318,552
Less:							
Claim administration costs	-	93,828	-	53,205	18,471	165,504	161,825
	38,452	**2,958**	**21,935**	**59,395**	**7,619**	**130,359**	**156,727**

[1] In the fall of 2002, the Government of British Columbia passed Bill 63, the *Workers Compensation Amendment Act (No. 2)*, which changed the WCB's appeal structure effective March 3, 2003. This amendment reduced the WCB appeal structure from three bodies into two bodies. As a result of the legislative amendment, the Review Board and the Appeal Division have ceased operation and the Review Division and Workers' Compensation Appeal Tribunal (WCAT) came into existence.

Note 10 — Reserves ($ thousands)

	2003				2002
	Contingent	Disaster	Enhancement	Total	Total
(a) Special reserves costs					
Short-term disability	-	-	50,780	50,780	26,133
Long-term disability	-	-	63,918	63,918	60,760
Survivor benefits	-	-	47	47	990
Health care	-	-	22,130	22,130	12,517
Vocational rehabilitation	-	-	17,388	17,388	13,834
	-	-	**154,263**	**154,263**	**114,234**

The special reserves balance at December 31 is represented by:

	2003	2002
Contingent	2,500	2,500
Disaster	16,500	16,500
Enhancement	21,000	21,000
Balance – December 31	40,000	40,000
(b) Latent Occupational Disease Reserve	200,000	200,000
(c) Earthquake Disaster Reserve	20,000	20,000
	260,000	**260,000**

Note 11 — Premiums ($ thousands)

	2003	2002
Rateable employers	1,089,051	1,087,289
Abatement of pre-2000 subclass surplus	(59,572)	(61,933)
Interest on pre-2000 subclass surplus	(13,400)	(1,420)
Levy for injury reduction initiatives	6,058	4,441
Capping of rate changes and amortization of balance		
Capping of rate changes	(34,408)	(42,953)
Amortization of balance	31,979	(39,532)
	(2,429)	(82,485)
Rateable employers – net	1,019,708	945,892
Self-insured employers	52,140	68,927
Penalties	5,535	4,431
	1,077,383	**1,019,250**

Note 11 — continued

Since the WCB implemented its new classification and experience rating systems in 2000, employers in former subclasses with a surplus at December 31, 1999 (total of $431 million) have had their surpluses abated back to them through the rate-setting process generally over a five-year period commencing in 2000. The total amount abated to employers in 2003 was $60 million relating to the subclass surpluses ($62 million in 2002), plus $13 million in interest earned on the subclass surpluses ($1 million in 2002). The interest was calculated based on the rate of investment return that was applied to the rate group balances. Because the investment return was negative in 2002, the interest on the pre-2000 subclass surplus balance was set to $0. Employers in subclasses with a deficit at December 31, 1999 (total of $298 million) will have those deficits relieved and funded at the aggregate level by the application of excess investment income; if not enough excess investment income is earned, the remaining deficit is to be paid by raising the premium rates for all rateable employers.

The capping of rate changes represents the effect of the WCB's policy to limit changes to the rates of any rate group from year to year. Beginning in 2000, the capping included a special relief in the premium rates of employers whose premiums increased by a substantial amount during the transition to the new classification and experience rating systems. The shortfall in funding created by the transition plan is funded at the aggregate level by the application of excess investment income. In case the excess investment income is insufficient, the shortfall will then be funded by raising the aggregate base rate of all employers and independent operators. In 2003, the transition cost was $0.4 million ($3 million in 2002).

The amortization of the balance represents the effect of the planned amortization of the projected surplus or deficit of each rate group at the beginning of each appropriate year.

Note 12 — Gain and Loss Analysis ($ thousands)

The following is a reconciliation of the variances from the actuarial assumptions for the rateable classes (rounded to the nearest $1 million).

	2003	2002
(Unfunded liability)/unappropriated balance – January 1	(407,000)	134,000
Current year's excess – rateable employers		
Current year's claim and operating costs		
Estimated	1,093,000	1,088,000
Actual	(932,000)	(1,040,000)
	161,000	48,000
Premium income adjustments		
Abatement and interest on pre-2000 subclass surplus	(73,000)	(63,000)
Amortization of balance	32,000	(40,000)
Capping of premium rate changes	(34,000)	(43,000)
Prior years' adjustments and miscellaneous	7,000	8,000
	(68,000)	(138,000)

Note 12 — continued

	2003	2002
Changes in legislation and actuarial assumptions		
Impact of legislative changes	73,000	533,000
Changes in mortality rate assumptions	-	(133,000)
	73,000	400,000
Prior years' experience gain/(loss)		
Short-term disability	44,000	19,000
Long-term disability	(231,000)	(141,000)
Survivor benefits	(10,000)	(5,000)
Health care	55,000	5,000
Vocational rehabilitation	42,000	(37,000)
Claim administration	(21,000)	(11,000)
Miscellaneous items	9,000	46,000
	(112,000)	(124,000)
Investment income excess/(deficiency) with respect to consumer price index plus underlying real interest assumption (2003 – 3.5%; 2002 – 3.5%)	101,000	(757,000)
Transfer from research reserve	-	30,000
(Unfunded liability) – December 31	**(252,000)**	**(407,000)**

Note 13 — Employee Benefit Plans ($ thousands)

The WCB has several employee benefit plans which provide pension and other post-employment benefits to its employees.

The WCB and its employees contribute to the Workers' Compensation Board Superannuation Plan, a defined benefit plan. The plan provides pensions based on length of service and best five-year average earnings. For funding purposes, and to determine the contribution rate, the plan requires an actuarial valuation of the plan's liabilities at intervals of not more than three years. The last valuation was carried out as at March 31, 2003. In addition, the WCB also has an unfunded obligation relating to basic medical and extended health care post-retirement benefits that it provides to eligible WCB retirees; WCB employees are not required to contribute towards these health care benefits.

The cost of these retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, compensation level increases, retirement ages of employees, and expected health care costs. Pension plan assets are recognized at fair value and the expected return is also based on the fair value of its assets. The March 31, 2003 funding valuation results were used to derive the projected liabilities at year-end.

Note 13 — continued

The significant actuarial assumptions adopted in valuing the WCB's benefit plan expenses are as follows:

	Pension Plan		Other Benefit Plans	
	2003	2002	2003	2002
Discount rate	6.25%	6.50%	6.25%	6.50%
Expected long-term rate of return on plan assets	6.25%	6.50%	n/a	n/a
Rate of compensation increase/health care cost increase	3.25%	4.00%	5.25%	5.50%
Average remaining service period of active employees expected to receive benefits under the pension plan	10.6 years	11.0 years	10.6 years	11.0 years

Aggregated information about the WCB's employee benefit plans is summarized below:

	Pension Plan		Other Benefit Plans	
	2003	2002	2003	2002
Accrued benefit obligation – December 31	600,247	536,745	68,056	64,061
Fair value of plan assets – December 31	641,995	566,887	-	-
Funded status – plan surplus/(deficit) – December 31	**41,748**	**30,142**	**(68,056)**	**(64,061)**
Unamortized net actuarial loss – December 31	93,418	113,534	14,271	18,090
Unamortized transitional (asset) – December 31	(93,370)	(106,709)	n/a	n/a
Accrued benefit asset/(liability) – December 31	**41,796**	**36,967**	**(53,785)**	**(45,971)**
Employee contributions	9,635	6,122	n/a	n/a
Employer contributions	9,511	1,811	n/a	n/a
Net benefit plan expense/(income)				
Employer current service cost	13,665	17,475	3,566	3,495
Interest cost on accrued benefit obligation	35,266	34,061	4,245	2,849
Expected return on plan assets	(37,090)	(41,697)	-	-
Amortization of:				
transitional (asset)	(13,339)	(13,339)	-	-
net actuarial loss	6,180	-	1,062	-
Pension expense/(income)	**4,682**	**(3,500)**	**8,873**	**6,344**

Note 13 — continued

The accrued benefit asset relating to the WCB's pension plan is included in its accounts receivable, while the accrued benefit liability relating to its other employee benefit plans is included in its accounts payable.

Effective January 1, 2003, the employer contribution to the basic account was increased to be equal to the employees' contribution. Prior to this, because of the significant surplus that existed previously, the required employee contributions to the basic account were reduced by 50 percent of the regular amount since 1998 for a period of five years; the employer's contribution was set to equal the employees' contribution until 2000 but was reduced to zero in 2001 and 2002.

Note 14 — Related Party Transactions

The WCB is required to reimburse the Government of British Columbia for the operating costs of the Workers' Compensation Appeal Tribunal, which replaced the Workers' Compensation Review Board in March 2003, the Workers' Advisers' Office, and the Employers' Advisers Office.

In addition to the legislated obligations referred to earlier, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various British Columbia government-controlled ministries, agencies, and Crown corporations to which the WCB may be considered related.

Account balances resulting from these transactions are included in the financial statements and are settled on normal trade terms.

Note 15 — Self-insured Employers ($ thousands)

	2003	2002
Current premium income	52,140	68,927
Claim costs:		
Short-term disability	11,342	16,258
Long-term disability	24,373	12,602
Survivor benefits	502	2,691
Health care	5,114	10,908
Vocational rehabilitation	1,449	5,420
Claim administration	6,851	7,446
	49,631	**55,325**
Share of special reserves costs	5,804	4,326
Operating costs	5,745	6,834
	61,180	**66,485**
Share of investment (income)/loss	(9,040)	2,442
	52,140	**68,927**

Included in the benefit liabilities is $195 million (2002 – $191 million) for self-insured employers (except for the Federal Government). An equivalent amount is included in receivables because these liabilities will be paid by those employers in future years, hence they do not affect the WCB's unfunded liability.

Note 16 — Lease Commitments ($ thousands)

The WCB has several operating leases relating to computer equipment and office spaces. The future lease payments expected to be charged against operating costs over the next five years are as follows:

2004	6,013
2005	5,693
2006	5,311
2007	5,182
2008	5,111
	27,310

Note 17 — Comparative Figures

Certain 2002 figures have been reclassified to conform with the current year's presentation.

Actuary's Opinion

The liabilities included herein have been computed by the Workers' Compensation Board (WCB) in accordance with methods and assumptions approved by us. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient and reliable for our purposes and consistent with the WCB's financial statements.

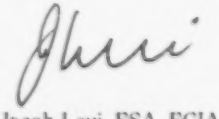
Legislation in 2003 changed a number of the provisions relating to survivor benefits, including the method of calculating inflation adjustments. These changes are reflected in the liabilities shown below, the net effect being to reduce the 2003 liabilities by $75.5 million. The change is also described in Note 3 to the financial statements.

The liabilities under Pension Awards, Capitalized Values are for pensions in payment, and include the effect of cost-of-living increases granted effective January 1, 2004. They are computed using the same mortality assumptions used for the valuation as at December 31, 2002. With regard to discount rates, in last year's calculations a net interest rate of 4.5% was used to discount long-term disability pensions and a 3.5% net interest rate was used to discount survivor benefits. These rates implicitly provided for the future indexing of pensions on the assumption that investment earnings on WCB assets will exceed increases in the Consumer Price Index (CPI) by 3.5% per year, over the long term. The 3.5% net rate used for survivor benefits reflected long term indexation at full CPI; this rate was increased by 1%, to 4.5%, for long-term disability pensions to reflect the 2002 legislative change in its indexing to CPI minus 1%. With future indexation of survivor benefits now also at CPI minus 1%, a 4.5% net interest rate was used to discount both long-term disability pensions and survivor benefits at December 31, 2003.

The Provision for Unfinalled Claims represents the liabilities for future claims costs in respect of injuries which occurred during 2003 and prior years, including future pensions other than those already in payment, and future claims administration expenses. It is based on projections of future claims payments and awards using ratios developed from the WCB's claims experience, average benefit rates, the net interest rates above and, where applicable, the mortality and other assumptions used for computing pension liabilities. The methods used in calculating these liabilities were substantially the same as those employed in the previous valuation as at December 31, 2002.

In our opinion, the assumptions made are appropriate, the methods employed are consistent with sound actuarial principles, this valuation conforms with accepted actuarial practice, and the resulting amounts set out below make reasonable provision, as at December 31, 2003, for the future benefits expenditures of the WCB in respect of injuries to December 31, 2003.

($,000's)	Pension Awards, Capitalized Values	Provision for Unfinalled Claims	Total
Benefit Liabilities:			
Short-term Disability	-	367,236	367,236
Long-term Disability	2,909,082	2,375,061	5,284,143
Survivor Benefits	699,853	68,750	768,603
Health Care	-	1,055,909	1,055,909
Vocational Rehabilitation	-	314,845	314,845
Claims Administration	-	478,914	478,914
	3,608,935	**4,660,715**	**8,269,650**



Jacob Levi, FSA, FCIA
Eckler Partners Ltd.
Consulting Actuaries

March 12, 2004

Ten-year Summary of Financial Statements

Unaudited

Balance Sheet
As at December 31 ($ thousands)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Assets										
Receivables	458,703	427,728	405,547	407,531	369,830	404,165	448,336	462,460	446,918	403,694
Portfolio investments	7,879,525	7,499,966	7,899,120	7,686,438	7,108,502	6,505,445	5,907,252	5,408,592	4,757,109	4,272,205
Property, plant, and equipment	142,180	150,906	162,037	170,501	167,365	136,019	110,142	96,024	93,542	92,619
	8,480,408	**8,078,600**	**8,466,704**	**8,264,470**	**7,645,697**	**7,045,629**	**6,465,730**	**5,967,076**	**5,297,569**	**4,768,518**
Liabilities and net fund surplus/(deficiency)										
Payables and accruals	202,895	195,854	172,253	244,919	94,500	102,327	93,606	95,056	77,705	69,724
Benefits liabilities	8,269,650	8,029,458	7,870,287	7,308,582	6,915,660	6,542,161	6,257,860	6,187,528	5,845,022	5,403,216
Total liabilities	8,472,545	8,225,312	8,042,540	7,553,501	7,010,160	6,644,688	6,351,466	6,282,584	5,922,727	5,472,940
Reserves	260,000	260,000	290,000	290,000	502,000	332,000	70,000	40,000	40,000	40,000
Unappropriated balance (unfunded liability)	(252,137)	(406,712)	134,164	420,969	133,537	68,941	44,264	(355,508)	(665,158)	(744,422)
Net fund surplus (deficiency)	7,863	(146,712)	424,164	710,969	635,537	400,941	114,264	(315,508)	(625,158)	(704,422)
	8,480,408	**8,078,600**	**8,466,704**	**8,264,470**	**7,645,697**	**7,045,629**	**6,465,730**	**5,967,076**	**5,297,569**	**4,768,518**

Statement of Operations and Unappropriated Balance/(Unfunded Liability)
For the Year Ended December 31 ($ thousands)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Income										
Premiums	1,077,383	1,019,250	916,378	872,331	880,415	918,832	992,161	1,000,308	985,251	878,187
Investments	495,937	(223,798)	585,716	785,429	858,409	701,857	644,688	533,745	437,525	345,373
	1,573,320	795,452	1,502,094	1,657,760	1,738,824	1,620,689	1,636,849	1,534,053	1,422,776	1,223,560
Expenses										
Claim costs										
Short-term disability	199,508	253,019	308,329	338,276	341,832	298,832	267,482	256,822	303,052	309,528
Long-term disability	691,555	738,273	742,605	653,882	524,182	428,029	425,089	467,479	460,630	463,767
Survivor benefits	76,370	85,885	69,463	55,977	43,665	58,036	56,802	58,907	52,055	44,969
Health care	170,345	237,623	221,349	230,031	264,187	245,523	203,062	178,607	207,981	214,993
Vocational rehabilitation	34,492	130,490	117,330	106,037	77,839	66,929	47,285	68,371	129,384	125,992
Claim administration	191,662	178,985	189,618	135,898	-	-	-	-	-	-
Extraordinary adjustments to revalue liabilities*	(75,546)	(414,674)	-	(75,357)	-	-	-	-	-	-
	1,288,386	1,209,601	1,648,694	1,444,744	1,251,705	1,097,349	999,720	1,030,186	1,153,102	1,159,249
Operating and prevention costs										
Operating	257,411	278,134	250,775	227,768	205,104	194,037	171,311	161,641	159,730	163,554
Prevention	38,452	40,418	44,067	45,714	47,419	42,626	36,046	32,576	30,680	29,827
Less: Claim administration costs	(165,504)	(161,825)	(154,637)	(135,898)	-	-	-	-	-	-
	130,359	156,727	140,205	137,584	252,523	236,663	207,357	194,217	190,410	193,381
	1,418,745	1,366,328	1,788,899	1,582,328	1,504,228	1,334,012	1,207,077	1,224,403	1,343,512	1,352,630
Surplus (deficit) from operations	154,575	(570,876)	(286,805)	75,432	234,596	286,677	429,772	309,650	79,264	(129,070)
(Unfunded liability)/unappropriated balance – January 1	(406,712)	134,164	420,969	133,537	68,941	44,264	(355,508)	(665,158)	(744,422)	(615,352)
	(252,137)	(436,712)	134,164	208,969	303,537	330,941	74,264	(355,508)	(665,158)	(744,422)
Appropriation to Research Reserve	-	30,000	-	-	-	-	(30,000)	-	-	-
Appropriation to Future Claim Administration Reserve	-	-	-	212,000	-	(212,000)	-	-	-	-
Appropriation to Latent Occupational Disease Reserve	-	-	-	-	(150,000)	(50,000)	-	-	-	-
Appropriation to Earthquake Disaster Reserve	-	-	-	-	(20,000)	-	-	-	-	-
(Unfunded liability)/unappropriated balance – December 31	**(252,137)**	**(406,712)**	**134,164**	**420,969**	**133,537**	**68,941**	**44,264**	**(355,508)**	**(665,158)**	**(744,422)**

* The extraordinary adjustments to revalue liabilities relates to the following items: Bill 37 in 2003; Bill 49 and mortality assumption changes in 2002; discount rate adjustment and capitalization of claims administration in 2000.

Note: The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Supplementary financial information ($ thousands)										
Property, plant, and equipment expenditures	18,882	17,240	27,480	33,936	55,540	38,240	33,815	12,584	11,043	10,121
Special reserves costs (included in claim costs)	154,263	114,234	120,774	98,946	92,443	81,319	62,211	77,644	79,681	74,723
Claim costs										
Current year's injuries	841,047	933,688	990,697	968,515	850,988	831,110	777,807	699,617	711,931	714,033
Prior years' injuries	522,885	690,587	657,996	476,229	400,717	266,239	221,913	330,569	441,171	445,216
Legislative and mortality assumption changes	(75,546)	(414,674)								
	1,288,386	1,209,601	1,648,693	1,444,744	1,251,705	1,097,349	999,720	1,030,186	1,153,102	1,159,249
Claim costs										
Payments[1]	1,048,194	1,050,430	1,086,988	1,051,822	878,206	813,048	929,388	687,680	711,296	711,629
Change in benefit liabilities	240,192	159,171	561,705	392,922	373,499	284,301	70,332	342,506	441,806	447,620
	1,288,386	1,209,601	1,648,693	1,444,744	1,251,705	1,097,349	999,720	1,030,186	1,153,102	1,159,249
Statistics										
Claims first reported[2]	154,443	159,372	172,103	184,131	178,187	179,582	185,852	189,418	194,280	197,911
Claims accepted[3]	120,470	119,727	130,323	140,020	136,741	144,380	148,144	145,278	147,223	140,785
Claims disallowed[4]	9,031	9,609	10,753	11,211	9,724	8,139	8,358	9,370	8,776	6,994
Claims rejected[5]	1,591	1,798	1,728	2,144	1,889	1,884	1,733	1,538	1,667	1,846
Claims disallowed as a proportion of claims reported (%)[6]	5.8	6.0	6.2	6.1	5.5	4.5	4.5	4.9	4.5	3.5
Injury rate (number of short-term disability claims per 100 person-years of employment)	3.0	3.2	3.6	3.9	4.0	4.2	4.4	4.5	4.8	5.2
Short-term duration of claim (days paid per claim)[7]										
– in injury year	26.6	26.3	26.9	26.3	26.5	26.0	24.1	22.8	23.4	24.4
– total of all years	46.5	47.2	49.3	49.6	51.6	46.9	41.8	39.4	41.7	43.5
Prevention inspection reports issued[8]	16,310	21,736	28,648	31,063	34,264	32,737	35,894	41,548	47,996	42,940
Prevention worksite activity hours[9]	223,321	260,740	277,319	271,951	251,633	276,268	212,121	225,889	221,785	195,175
Employers registered	173,008	171,583	169,650	166,501	164,963	159,036	153,499	149,582	143,599	138,249
Average premium rate ($)[10]										
– published rate										
base rate	2.05	2.03	2.02	2.31	-	-	-	-	-	-
surplus abatement and transition capping	(0.13)	(0.13)	(0.23)	(0.40)	-	-	-	-	-	-
collection rate	1.92	1.90	1.79	1.91	-	-	-	-	-	-
– actual final collection rate	1.92	1.88	1.78	1.73	1.88	2.01	2.22	2.29	2.29	2.16
Investment return of portfolio (%)										
– total return (market yield)	13.4	(2.3)	(0.8)	5.0	9.8	11.0	13.8	16.6	17.8	(0.5)
– accounting return (yield on average value of portfolio)	6.4	(2.8)	7.5	10.6	12.6	11.3	11.4	10.5	9.7	8.4
– real return (yield in excess of inflation)[11]	4.8	(6.0)	5.6	7.8	10.3	10.3	9.9	8.7	7.3	8.6
Percent funded (ratio of assets to total liabilities) (%)	100	98	105	109	109	106	102	95	89	87

[1] In 1997, benefit payments include payments of approximately $209 million to widows in respect of retroactive portion of reinstated pensions. Changes in actuarial valuations show a corresponding credit to reflect the reduction of the retroactive liability.

[2] Claims are not necessarily disallowed, rejected, or accepted in the year in which they are reported.

[3] Claims accepted include claims accepted for health-care-only benefits.

[4] Disallowed claims are those that fall within the scope of the *Workers Compensation Act* but are not payable because they are not work-related.

[5] Rejected claims are those that do not fall within the scope of the Act: claims from workers employed in industries not covered under the Act, claims from self-employed workers without optional protection, accounts from physicians submitted in error to the WCB.

[6] Reported claims that are not accepted, disallowed, or rejected are either suspended claims or phantom claims. Suspended claims are those where the claimant fails to respond to a request for information from the adjudicator, or withdraws the claim. Phantom claims are accident reports that are not claims for benefits.

[7] Duration numbers for all ten years now exclude days paid as vocational rehabilitation days. The durations now include only STD days.

[8] These reports represent the number of inspections conducted.

[9] Worksite activities include Prevention field officers' time spent on inspections, education, consultation, investigations, and other industry worker services.

[10] The published rate is the rate announced at the time the premium rates are set. It consists of the base rate reduced by both the pre-2000 subclass surplus abatement and transition capping of rate increases from old to new classification structure. This reduction will largely disappear after 2004. The actual final collection rate differs from the published collection rate due to changes in payroll distribution by industries over time and refinement of estimates.

[11] Inflation is the change in the All Canada CPI from the preceding October to the current October value, reflecting the indexation of injured worker benefits.

Note: The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.

Appendices

Appendix A: Information for Comparison

Comparing performance data between Canadian workers' compensation jurisdictions is difficult because there is little standardization or consistency in the information collected, measured, and reported on. In some cases it is possible to make rough comparisons between the WCB and other Canadian jurisdictions, but such comparisons must always be considered approximate. Also, because the WCB reports earlier than any other jurisdiction in Canada, comparisons can be made with only 2002 data, which is the most current information available at publication time.

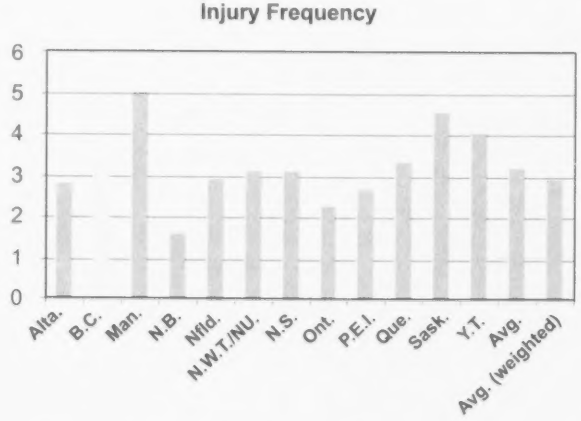
The following information shows the WCB's 11 key objectives for 2003, target results for the year, actual results achieved, and wherever possible, related comparisons with other Canadian jurisdictions.

Key objective #1: Reduce the provincial injury rate

2003 target: 3.1 injuries per 100 person-years of employment

2003 result: 3.0 injuries per 100 person-years of employment (see page 18)

Related comparison: The Association of Workers' Compensation Boards of Canada (AWCBC) publishes an annual comparison of injury frequency using a standardized calculation. Injury frequency is not directly comparable between provinces as injury rates are influenced by the mix of industries present in each jurisdiction. The following chart reflects the relative injury frequency for all provinces as published in December 2003 (based on 2002 source data).



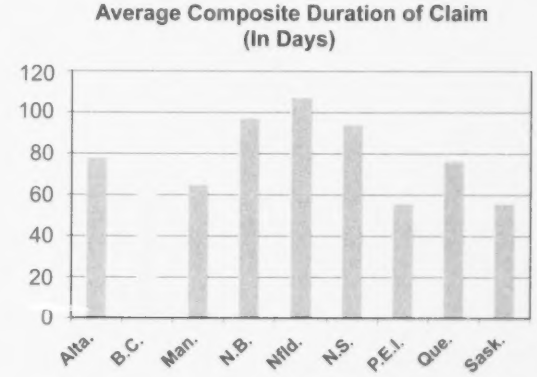
Source: AWCBC Key Statistical Measures 2002, www.awcbc.org/english/board_pdfs/Key_2002.pdf

Key objective #2: Reduce the average short-term claim duration

2003 target: 46.9 days

2003 result: 46.5 days (see page 20)

Related comparison: The AWCBC publishes an annual comparison of claim duration using a standardized calculation. Claim duration as measured by the AWCBC is not the same as claim duration as measured by the WCB of B.C. Also, the AWCBC measure is not directly comparable between provinces, as the duration of disability is influenced by the mix of industries and economic factors. The following chart reflects the average composite claim duration in calendar days for B.C. and other provinces as published in December 2003 (based on 2002 source data).



Source: AWCBC Key Statistical Measures 2002, www.awcbc.org/english/board_pdfs/Key_2002.pdf

(Data not available for Northwest Territories/Nunavut, Ontario, and Yukon)

Key objective #3: Improve return-to-work outcomes for workers in vocational rehabilitation

2003 target: 63 percent

2003 result: 63 percent (see page 21)

Related comparison: At present, comparable data is not available.

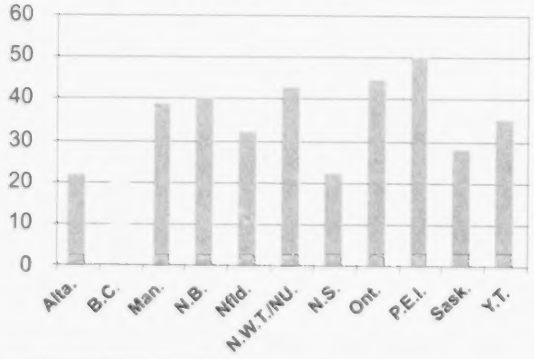
Key objective #4: Improve timeliness of initial short-term disability payments

2003 target: 16 days

2003 result: 18.8 days (see page 23)

Related comparison: The AWCBC publishes an annual comparison of timeliness of initial short-term disability payments using a standardized calculation that is slightly different than the WCB's method of calculation. The following chart reflects the average number of calendar days from date of injury to date of first payment as published in December 2003 (based on 2002 source data).

Average Calendar Days From Injury to First Payment Issued



Source: AWCBC Key Statistical Measures 2002, www.awcbc.org/english/board_pdfs/Key_2002.pdf

(Data not available for Quebec)

Key objective #5: Improve injured workers' rating of overall service

2003 target: 8.0 out of 10

2003 result: 7.5 out of 10 (see page 24)

Related comparison: At present, comparable data is not available.

Key objective #6: Improve employers' rating of overall service

2003 target: 7.9 out of 10

2003 result: 7.9 out of 10 (see page 25)

Related comparison: At present, comparable data is not available.

Key objective #7: Raise public confidence

2003 target: 70 percent positive public perception

2003 result: 70 percent positive public perception (see page 27)

Related comparison: To track public confidence, the WCB hires Ipsos-Reid to survey 800 B.C. residents every three months. Although a variety of factors are measured, the major indicator of success is the overall approval rating, which indicates the degree to which British Columbians think the WCB makes a positive contribution to the province. Ipsos-Reid also tracks public approval ratings for other large organizations based on a similar method of calculation. Using the 2003 average ratings for these organizations as a comparison, the WCB achieved 70 percent positive, compared with a combined average of 71 percent positive for the other organizations.

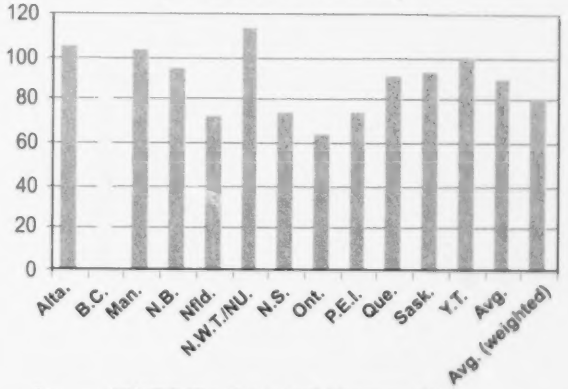
Key objective #8: Achieve an accident fund, including reserves, in the range of 90 to 110 percent

2003 target: 95 percent

2003 result: 100 percent (see page 28)

Related comparison: The AWCBC calculates the percentage funded for each Canadian workers' compensation system according to a standardized formula,[1] which includes reserves in both the assets and liabilities. The following chart shows the average funding level of each provincial workers' compensation system as published in December 2003 (based on year-end 2002 data).

Percent Funded (Includes Reserves in the Assets and Liabilities)



Source: AWCBC Key Statistical Measures 2002 www.awcbc.org/english/board_pdfs/Key_2002.pdf

[1] The AWCBC's definition of the funding ratio is: $\frac{\text{total assets (including reserves)}}{\text{(total liabilities + reserves)}}$

Key objective #9: Attain an aggregate premium rate between $1.75 and $2.25

2003 target: $2.06 ($1.93 after transition and surplus), per $100 of assessable payroll

2003 result: $2.09 ($1.92 after transition and surplus), per $100 of assessable payroll (see page 29)

Related comparison: Average premium rates for other jurisdictions in 2003, based on published reports and announced projections, were: Alberta – $1.89, Ontario – $2.19, and Quebec – $1.93. The following table lists average premium rates in B.C. and these other jurisdictions over the past 10 years:

Province	Ten-year average	Standard deviation	Standard deviation as percent of average
B.C.	2.02	0.20	10%
Alberta	1.55	0.37	24%
Ontario	2.56	0.36	14%
Quebec	2.30	0.32	14%

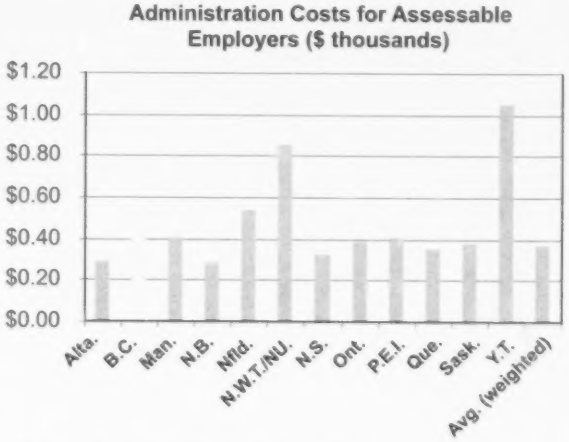
Source: Association of Workers' Compensation Boards of Canada

Key objective #10: Improve administration costs

2003 target: $0.39 per $100 of assessable payroll

2003 result: $0.37 per $100 of assessable payroll (see page 31)

Related comparison: The AWCBC calculates administration costs per $100 of assessable employer payroll according to a standardized formula. The following chart shows the administration costs per $100 of assessable employer payroll for each provincial jurisdiction as published in December 2003 (based on year-end 2002 data).



Source: AWCBC Indicator Ratios 2002, www.awcbc.org/english/board_pdfs/Performance_2002.pdf

Key objective #11: Improve decision making throughout the WCB, ensuring consistency with the legislation

2003 target: Establish a baseline at the Review Division level and WCAT level (proportion of issues leading to overturned decisions due to WCB error in law or policy)

2003 result: Baseline estimated to be 7.9 percent at Review Division level, 2.2 percent at WCAT level (see page 32)

Related comparison: At present, comparable data is not available.

Appendix B: Performance Results for 2003 Service Plan Measures

Goal 1 — Foster improvement of occupational health and safety in workplaces

Measures	2003 Targets	2003 Results
Reduced injury rate (accepted short-term disability claims per 100 person-years of employment)	3.1	3.0
Reduced injury rate of firms participating in the focus firm strategy	3.5%[1]	5.5%*
Reduced musculoskeletal injury (MSI) rate (MSIs per 100 person-years of employment – 2.5 percent annual decrease)	1.02[2]	1.01 *
Number of industry associations and health and safety partnerships	8	10

**Estimated rate – due to injury reporting and coding procedures, final rates aren't available until after publication date*

Goal 2a — Improve service to stakeholders: service satisfaction, accessibility, and public confidence

Measures	2003 Targets	2003 Results
Raise public contribution index	70%	70%
Overall service satisfaction (10-point scale)		
Workers	8.0[3]	7.5
Employers	7.9	7.9
Combined	7.95	7.7
Perception of service timeliness/availability (10-point scale)		
Workers	7.5	6.8
Employers	7.5	7.2
Workers' perception of courteousness/professionalism/respect (10-point scale)	8	8
Routine business processes available online at www.WorkSafebc.com (through self-service applications)	70%	70%

[1] The target rate in the 2003-2005 Service Plan was 6 percent; however, this was changed to 3.5 percent in May 2003 due to a larger than expected reduction in 2002. It would be difficult to maintain a 6 percent reduction based on such a large percentage drop in one year.

[2] The basis of calculation for the MSI injury rate has changed. It formerly included rated and self-insured employers; it now includes only rated employers. With the adjusted calculation, the 2003 target was changed to 1.02 rather than the 1.20 reported in the 2003-2005 Service Plan. This revised method is consistent with the Association of Workers' Compensation Boards of Canada injury rate calculations.

[3] There was a minor discrepancy between the targeted injured workers' overall rating of service satisfaction reported in the 2002 Annual Report and the 2003-2005 Service Plan. The correct target for 2003 was 8.0 out of 10 and the combined target for workers' and employers' overall service satisfaction was 7.95 out of 10. In addition, the 2003-2005 Service Plan listed the targeted employers' overall rating of service satisfaction as 7.8, but the actual target was 7.9.

Goal 2b — Improve decision making throughout the divisions, ensuring consistency with the legislation

Measures	2003 Targets	2003 Results
Proportion of issues leading to decision changes as a result of legal or policy errors (at Review Division level)	Establish a baseline	7.9% (formal baseline to be established in March 2004)
Proportion of issues leading to decision changes as a result of legal or policy errors (at WCAT level)	Establish a baseline	2.2% (formal baseline to be established in August 2004)
Proportion of audits achieving full compliance with decision-making criteria	95%	N/A (audits implemented in February 2004)
Proportion of eligible review requests completed within 150 days	95%	99.95%

Goal 3 — Improve cost-effectiveness and accountability

Measures	2003 Targets	2003 Results
WCB administration costs per $100 assessable payroll	$0.39	$0.37
WCB prevention costs per $100 of assessable payroll	$0.08	$0.07

Goal 4 — Maintain financial sustainability and stability

Measures	2003 Targets	2003 Results
WCB percent funded (target range 90-110 percent)	95.3%	100.1%
WCB funded status (with reserves included as liabilities)	92.6%	97.1%
B.C. average premium rate:		
Base rate	$2.06	$2.09
Surplus abatement and transition capping	$(0.13)	$(0.17)
Collection rate	$1.93	$1.92

Appendix C: Operating Environment

The Workers' Compensation Board operates in an environment affected by many internal and external factors. These factors impact the WCB financially and operationally, and thus require ongoing monitoring and analysis in order to plan for and mitigate risks. Some of the major factors that affected the WCB in 2003 (and will continue to do so in the future) are outlined below.

External factors

Occupational diseases

Occupational diseases are a concern to the workers' compensation system and to greater society as a whole. Infectious agents such as SARS and Norwalk began surfacing in the workplace in 2003, and they continue to pose potential risks to workers. The link between certain occupations and health conditions such as cancer is also a growing concern. There is an increasing need for scientific evidence to confirm or refute the work-relatedness of many such conditions in order to fairly compensate ill workers and protect the integrity of the compensation system. To help address the problem, the WCB is supporting research into potential work-related diseases and has set aside $200 million for possible future disease claim costs that are not yet known.

Since 2000, there has been an incremental decline in the number of work-related claims filed with the WCB, with the exception of infectious disease claims which have increased. However, the number of occupational disease-related deaths has been growing over the same period, with a high of 79 in 2003. The majority of these deaths are due to asbestos exposures that occurred 25 to 40 years ago. The number of asbestos-related deaths is expected to remain at these levels or rise slightly for the next 10 to 12 years.

Economic environment

B.C.'s economy is expected to grow steadily over the coming years, with some areas already seeing dramatic increases in activity. Megaprojects such as the rapid transit line between the Vancouver International Airport and downtown Vancouver and a new housing community planned for the Simon Fraser University campus, in addition to construction activity related to the 2010 Winter Olympics, promise increased growth in several sectors of the province's economy. These large infrastructure projects, along with continued growth in the oil and gas sectors, and increasing activity in mining and prospecting, may result in increased injuries and claims. Although increased economic activity didn't significantly affect injury rates in 2003, the WCB will continue to work closely with growing industry sectors to help keep injuries and illnesses in check.

In addition, workers' compensation systems across the country are experiencing increased medical costs associated with claims, and a levelling off of previously falling injury rates. This, combined with reduced returns on investments, continues to put upwards pressure on workers' compensation premium rates in many jurisdictions. The WCB will continue to monitor developments in B.C. and in other jurisdictions for emerging trends that could impact the financial security of the workers' compensation system.

Workforce demographics

Demographic shifts (such as an aging workforce, increased immigration, and changing rates of labour force participation leading to increased training needs for new workers) are increasingly affecting the frequency of injuries, duration of recoveries, magnitude of long-term liabilities, and costs of administration. Since 1994, the average age of claimants[1] had been rising, which was a concern because older workers usually have longer claim durations and higher claim costs. In 2003, however, the trend was reversed as the average age of claimants fell from 39 years old to 38.7. This may mark the beginning of a levelling-off period, and could contribute to lower duration results in future years.

Serious injuries

Serious injury claims, which involve major fractures, amputations, third-degree burns, head traumas, and other serious injuries, are a continuing problem for B.C.'s workforce and the workers' compensation system. These traumatic injuries often result in significant physical impairment and usually affect injured workers' emotional and socio-economic well-being. While the WCB has been successful in helping to reduce the overall injury rate, it hasn't had the same success in reducing the serious injury rate, which has remained steady over the past five years and continues to pose significant financial costs to the system. To help reduce the frequency and severity of these injuries, the WCB is rolling out a new Serious Injury Prevention Program in 2004 that will involve increased education, consultation, and enforcement activities in targeted high-risk areas.

[1] This is based on short-term disability, long-term disability, and fatal claims first paid in the year. Health-care-only claims are not included.

Internal factors

Law and policy changes

In March 2003, legislation established a new workers' compensation appeal structure, creating changes to the WCB's policies, systems, and processes. As a result, significant training was required for administration and staff. The new system was implemented successfully, but helping employers, workers, and others understand and adjust to the changes is a challenge that will continue for some time.

Business process changes

In 2003, the WCB closed its rehabilitation centre in Richmond due to the availability of high-quality treatment facilities throughout British Columbia with the capacity to provide treatment to injured workers closer to their homes. The closure of the rehabilitation centre along with regulatory and legislative changes contributed to a reduction of more than 500 permanent positions in 2003. This was minimized through early retirement options and redeployment of staff. As part of the restructuring, 288 employees left the organization (either voluntarily or through early retirement or incentive packages), 14 elected to be laid off with potential for future re-hire, and 254 employees were placed in new jobs. As of December 31, 2003, the WCB's total workforce consisted of approximately 2,650 employees.

Organizational capacity

As part of its overall strategy to mitigate risks, the WCB works to ensure that it has sufficient organizational capacity to meet future challenges. In recent years, the WCB has developed substantial capacity and capabilities to carry out its objectives.

Human resource capacity

The year 2003 saw significant change for staff that challenged the operational capacity of the WCB. To help ease the transition and improve service levels, extensive staff training programs were developed and delivered to help employees deal with the new policies and business procedures. Training initiatives will continue in 2004 in order to keep employees informed and better equipped to meet customer needs.

Internal structure

In late 2003, the WCB conducted a review of the organization's systems and business processes. Input received from staff and external stakeholders resulted in a structural re-organization in early 2004 that is expected to focus, simplify, and streamline operations so that the WCB will be well able to meet client needs both today and in the future.

To complement the internal reorganization, physical resources such as the former rehabilitation centre, are being re-developed and seismically upgraded to provide the organization with physical facilities to match current and future needs.

Information systems

During the past six years, the WCB has expended significant capital resources to update its operational processes and computer systems in order to improve productivity, enhance business intelligence, and improve client service through easy-to-use Internet self-service options. Although much has been accomplished in this area, there are still many opportunities to be explored. For example, the WCB is examining alternatives and exploring partnerships that will provide technology to handle routine tasks in order to free employees to provide personalized services needed by workers and employers.

Business continuity planning

In 2003, the WCB designed an interim working plan to ensure the organization has the capacity to carry on business in the event of a disaster or significant disruption. The plans will be updated and maintained on a regular basis.

Succession planning is also an important aspect of the WCB's long-term strategic planning process. A program is in place to develop expertise within the organization to prepare for the anticipated retirement of long-serving employees and a potentially competitive employment environment in the future.

Building capacity within industry

The WCB cannot reduce work-related injuries and illness alone – it takes workers, employers, and other stakeholders working together to effect change. That's why the WCB endeavours to build capacity within industry itself to improve occupational health and safety through the development of industry-specific safety associations. The establishment of these safety associations has resulted in a fuller, more robust network of safety education, and the growth and success of these organizations is essential for sustaining a continued reduction of injuries and diseases in the workplace. In 2003, the number of industry safety associations was increased from 8 to 10, and continued expansion is planned for the future.

Appendix D: 2003 Operating Principles

The Workers' Compensation Board strives to be:

Balanced – Balance ensures workers' and employers' interests, as well as those of the system, are weighed in our deliberations and decision making.

Fair and impartial – In our judgments and our adjudication of issues, we shall be fair, seeking the appropriate evidence and views without showing partiality or bias.

Accessible – In deciding how to deliver services, we shall be mindful of our clients' needs for accessibility, recognizing that access is an essential component of justice.

Responsive – Workers and employers deserve a responsive workers' compensation system, one that provides timely decisions and understandable answers to reasonable questions.

Service- and quality-driven – Our design of systems, our review of performance, and our decisions on policies and processes will be based on sound service principles and defined quality standards.

Cost-effective – The legislation provides rights and obligations, entitlements, and penalties. In ensuring that our administration of the law provides the highest value, we shall give proper consideration to the costs, benefits, and effectiveness of our programs and services.

Evidence-based – In policy development, regulation review, and administration, our actions shall be based on facts and a weighing of the best evidence available.

Prudent – Decisions on policy, practice, and administration shall be made with prudence, taking care to avoid unintended consequences.

Results-focused – Objective results rather than processes shall be the focus of our activities.

Proactive – We shall strive to anticipate the consequences of trends and actions and act in advance wherever possible.

The Board of Directors commits to measuring its success in meeting these principles through independent surveys and analysis, using the results to foster a culture of continuous improvement.

Senior Executive Committee

David Anderson, President and Chief Executive Officer

Steve Barnett, Vice-President, Program Design Division

Ed Bates, General Counsel

Vaughan Bowser, Vice-President, Human Resources and Facilities Division

Margaret Eckenfelder, Vice-President, Policy and Research Division

Roberta Ellis, Vice-President, Investigation Division and Review Division

Sidney Fattedad, Chief Financial Officer

Diana Miles, Vice-President, Worker and Employer Services Division

Ian Munroe, Executive Director, Compensation Operations

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Feedback

If you would like to comment on the WCB's *2003 Annual Report and 2004 – 2006 Service Plan*, please call the Director of Communications at 604 276-3113 or e-mail smccloy@wcb.bc.ca.